Volume 54 | Issue 1 | FEBRUARY/MARCH 2022

Accountancy IRELAND

THE OFFICIAL MEMBER MAGAZINE OF CHARTERED ACCOUNTANTS IRELAND

Brexit and the Northern Ireland Protocol

As the EU and UK continue to negotiate, what is the future of the NI Protocol?

CHARTERED ACCOUNTANTS IRELAND


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Chief Executive's welcome

I am pleased to welcome you to the February issue of *Accountancy Ireland.*

I hope that 2022 is a year of good fortune and health for all members. We are now in the third year of the COVID-19 pandemic, and there remains a level of uncertainty for individuals and organisations that nobody could have anticipated at the outset.

As an island, we are still adjusting to the impact of the pandemic, economic and social, and in the coming months, we will see this adjustment continue. However, some of the impacts are already clear, namely how we work. We are bearing witness to this as a member organisation that represents over 30,000 Chartered Accountants in business, practice, and the public sector. It is also something the Institute, as an employer, is experiencing.

Despite overnight upheaval to established working norms, a consensus has not yet been reached across the economy on what the post-COVID workplace will look like. Companies are still determining what works for them and their teams, all under the shadow of changing public health guidance. One thing we can be sure of is that workplaces that demonstrate agility and flexibility in their approach will reap the rewards.

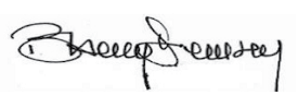
Just as a competitive remuneration package, strong social purpose, and various other factors have marked companies as employers of choice, the response to changing working patterns is already proving to be a unique selling point for companies in their recruitment. We have seen the demand for Chartered Accountants remain strong through the pandemic. With many candidates on the move, the battle to attract and retain talent will be keenly fought again in 2022.

Pandemic aside, 2022 will be a year in which the pace of change in our profession continues unabated. New technologies will continue to generate savings in time, better productivity, and greater data accuracy. Accelerating climate change will also continue to be the prism through which the profession must view everything it does.

The UK's departure from the European Union also remains firmly on the table as an issue to be accounted for by businesses throughout the island in 2022. We are fortunate to welcome RTÉ's Europe Editor, Tony Connelly, who authors this edition's cover story, drawing on his many years of experience from the coal face of this political and economic issue.

At the time of writing, it is impossible to predict how things will look through Q1 of the coming year. It is only as we move through this period and into the spring that we will determine the overall impact of the Omicron variant and whether the tools used to date during this pandemic will continue to be effective and available to all those who require them around the world.

As ever, this Institute will continue to support members as we move through this year, tailoring our supports, services, and educational offerings to position students and members for the challenges ahead.



Barry Dempsey
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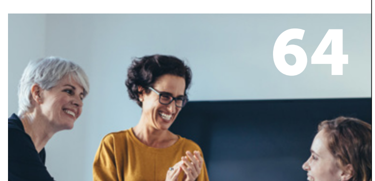

Publisher: Institute of Chartered Accountants in Ireland, Chartered Accountants House, 47-49 Pearse Street, Dublin 2. Telephone: +353 (1) 637 7200. Email: accountancyireland@charteredaccountants.ie.

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Website: www.accountancyireland.ie. Subscription rate: one year, Europe, €58; one year, rest of world, €112.
Printed by: Boylan Print Group, Drogheda. ISSN: 0001-4699.

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From the editor

As we settle into 2022 with the recent lifting of public health restrictions signalling a fresh - albeit tentative - start for the year ahead, I am delighted to be joining the Advocacy and Voice team here at Chartered Accountants Ireland as Managing Editor of *Accountancy Ireland*.

The accountancy profession, more than any other, is at the heart of the commercial world, driving progress across industry and practice and playing a unique role in shaping our shared economic future.

It is an honour for me personally to be joining such a prestigious and long-standing organisation, representing a global community of 30,000 finance and business professionals on the island of Ireland and beyond.

Now is a time of exciting transformation for Chartered Accountants Ireland with the continuing roll-out of *Strategy24*, and an equally exciting time for the profession, as we look ahead to a post-COVID future with a sense of renewal and reinvigoration in our professional and personal lives.

This shared sense of optimism shines through in this issue's three Member Perspectives from Jennifer Nickerson, Isabelle Cairns and Mark Lawther **(pages 52-54)**. All are looking forward to revisiting plans that had been put on hold, while taking stock of lessons gleaned over the last two years.

Change, this time regulatory, is also the focus of Dr Brian Keegan's interview with Gabriel Makhlouf, Governor of the Central Bank of Ireland **(page 24)**.

The ongoing turmoil surrounding Brexit and the Northern Ireland Protocol is explored in-depth and with welcome clarity by RTÉ Europe Editor Tony Connelly in our cover story **(page 16)**, while Carnegie Europe's Judy Dempsey considers the potential impact of Germany's new coalition government on EU strategy and wider global relations **(page 63)**.

Dee Moran, meanwhile, provides valuable insight into the nuts and bolts of sustainability reporting in a complex regulatory environment **(page 45)**, while Linda McWeeney and Mary Jane Webberley expand on the sustainability theme, delving into how businesses can use the Greenhouse Gas Protocol as a basis for reporting on direct and indirect emissions **(page 56)**.

Elsewhere, Professor Anne Marie Ward and Professor Niamh Brennan make a compelling case for greater academic representation in accounting faculties **(page 32)**, while Richard Howard and Ryan Mathers get to grips with the intricacies of accounting for cloud computing costs **(page 38)**.

I hope you enjoy this issue of *Accountancy Ireland* and that in issues to come, I will be able to build on the fantastic work of my predecessor Stephen Tormey in continuing to represent, respond and give voice to you, our members.

Elaine O'Regan
Managing Editor

Our contributors

TONY CONNELLY
Europe Editor for RTÉ News, Tony Connelly, gives insight into the Northern Ireland Protocol – where the UK and the European Union disagree, the status of ongoing negotiations, and what the future could bring. **Page 16**

JUDY DEMPSEY
Judy Dempsey, Non-Resident Senior Fellow at Carnegie Europe and Editor-in-Chief of Strategic Europe, takes a look at Germany's influence on security and foreign policy and how its new coalition government will handle EU issues. **Page 63**

GABRIEL MAKHLOUF
Garbriel Makhlouf, Governor of the Central Bank of Ireland, and self-proclaimed professional public servant, speaks to Accountancy Ireland about the importance of financial literacy and the challenging business landscape. **Page 24**

NIAMH O'KEEFFE
Author and leadership advisor, Niamh O'Keeffe explains why you hold most, if not all, of the cards when it comes to your future career. She shares six tips to help you secure a new role in 2022. **Page 64**

News in brief

NI Executive must pursue activation of Northern Ireland's corporation tax setting powers

The recommendation by the Independent Fiscal Commission for Northern Ireland (the Commission) that the NI Executive re-open corporation tax devolution must be acted on, Chartered Accountants Ireland has said.

The Institute's comments come as the Commission publishes its interim report, stating that there is a case for devolving corporation tax powers to the Northern Ireland Assembly and urges the NI Executive to develop its own plans to demonstrate the sustainability of its finances.

Institute President Paul Henry said, "The interim report from the Commission notes the opportunity to improve economic performance in Northern Ireland but also highlights the political and technical complexities of corporation tax devolution. The Institute has long supported the consideration of a devolved rate of corporation tax in the region, particularly in light of the impending increase in the UK's rate of corporation tax from 19% to 25% from April 2023.

In early 2021, the Institute appeared in front of the Commission and renewed its call for the activation of devolved powers for the Northern Ireland Assembly to set its own corporation tax rate. Two in three Chartered Accountants surveyed in Northern Ireland are in favour of the region acting on the legislation already in place.

"We believe that FDI will be the key driver of Northern Ireland's quest for economic prosperity, however commitment from the Northern Ireland Assembly to enhance a suitable business environment will be critical for this success. Research by the Economic and Social Research Institute on trade between Ireland and Northern Ireland suggested that if a global 15% minimum corporation tax rate were introduced, it could increase the number of FDI projects going to Northern Ireland by 7.5% per annum. This is further evidence of the potential a lower, competitive rate of corporation tax could bring to the region," said Mr Henry.

66%

WORKERS WHO, ACCORDING TO THE CSO, AGED 20–69, HAVE A PENSION OUTSIDE OF THE STATE PENSION.

THE INSTITUTE INTRODUCES LGBTQ+ NETWORK GROUP

Chartered Accountants Ireland has launched Balance, its LGBTQ+ network group. Balance was created to support the *Stategy24* value of inclusion and aims to create a sense of belonging, mobility and diversity, and ongoing learning in the context of LGBTQ+ members and students.

Balance will focus on bringing greater awareness and promotion of LGBTQ+ inclusion and intersectionality across Institute staff, members, students, and member businesses through networking events, information sessions, data capture, publications and encouraging senior LGBTQ+ members to be visible and engaged role-models. It will provide an inclusive space in which LGBTQ+ members can meet, engage, share, and develop.

Find out more about Balance at www.charteredaccountants.ie/balance

Government responds to Institute's Statutory Sick Pay Scheme request

The Department of Enterprise, Trade and Employment has issued a response to Chartered Accountants Ireland's letter to Government on 12 November regarding the timeline for introducing statutory sick pay.

In its letter, the Institute called on the Government to examine its ambitious timeline for the scheme's introduction, and to engage with service providers, advisors, employers, and representative bodies to ensure that the logistics of the system are fully tested before the scheme becomes mandatory.

In its response, the Department of Enterprise, Trade and Employment referred to its process of pre-legislative scrutiny, its plans to seek Government approval for presentation of the Bill to the House of the Oireachtas, and the establishment of rates of pay and calculation by Statutory Instrument. It stated that once the legislation is finalised, an information campaign will be undertaken to 'clarify aspects of the scheme in advance of its introduction'.

Chartered Accountants Ireland will continue to seek an appropriate timeline for the introduction of such a scheme to ensure that employers are given sufficient time to prepare, and that detailed guidance is issued as soon as possible.

"In an extremely competitive environment, inadequate broadband capacity risks undermining our ability to compete internationally for investment. For that reason, it is imperative that broadband connectivity is accelerated as per the commitments set out in the Programme for Government."

Cróna Clohisey, Public Policy and Tax Lead at Chartered Accountants Ireland.

COUNCIL ELECTION 2022

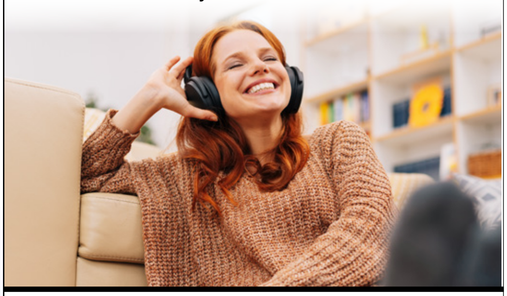
On 25 January 2022, Chartered Accountants Ireland issued all members with a Notice for the Council Election 2022. Nominations close at 4pm on 16 February 2022. The notice is also available on the Institute's website.

If you wish to stand for election to the Council of the Institute, please email the Secretary at secretary@charteredaccountants.ie for a nomination form.

The latest episode of the Accountancy Ireland Podcast is out now

Liz Riley speaks to Brendan McGurgan, Co-Founder of Simple Scaling, Michelle Halloran, HR and people management consultant, and Paul Slattery, Founder & Managing Director of NxtGEN Executive Presence about the ever-morphing leadership role and what that means for businesses, management and employees going forward.

You can listen on Spotify, Apple Podcasts and www.accountancyireland.ie.



Movement towards pension auto enrolment now urgent, says Chartered Accountants Ireland

CSO statistics showing that a third of workers do not have pension coverage outside of the state pension must prompt renewed momentum towards auto enrolment, according to Chartered Accountants Ireland. It noted the window of opportunity to lay the groundwork for the introduction of auto enrolment, which would see employees automatically enrolled in a pension scheme by their employers.

Chartered Accountants Ireland Tax and Public Policy Lead, Cróna Clohisey said, "One third of workers remain without private pension provision and will be reliant on the state pension. Of employees with no supplementary pension cover, 45% stated that they have never gotten around to organising it or will organise it at a future date, which highlights that the issue isn't going to be resolved without significant action by the government."

The government is due to make further decisions on the Commission's proposals this March, with auto enrolment potentially being introduced in late 2023. The Institute notes the time that is required to build such a system and the need for employers to have sufficient time to prepare for such changes.

News in brief

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The Institute responds to IASB Exposure Draft-Disclosure Requirements in IFRS Standards – A Pilot Approach

The Financial Reporting Technical Committee of Chartered Accountants Ireland has responded to IASB Exposure Draft ED/2021/3: Disclosure Requirements in IFRS Standards – A Pilot Approach.

The IASB, which is responsible for developing and approving International Financial Reporting Standards (IFRSs), issued the exposure draft as part of an ongoing project to address concerns stakeholders have raised with the IASB, often collectively referred to as the 'disclosure problem'.

The Exposure Draft proposed a reduction in the number of specified mandatory disclosures and a greater focus on objective-based disclosures in IFRS standards.

While the committee supported the IASB's ongoing efforts to address the 'disclosure problem', its response raised some concerns with the approach outlined in the exposure draft:

- That a reduction in the number of specified disclosures in IFRS standards will lead to increased subjectivity in preparing financial statements which will potentially result in reduced comparability between entities.
- The description of some disclosures as "not mandatory" may be seen as an invitation to make fewer disclosures and may widen the gap between what preparers and other stakeholders consider to be material for disclosure.
- The proposed amendments would increase enforcement challenges, be burdensome for preparers and increase reliance on materiality judgements.
- The committee supported the use of overall and specific disclosure objectives within the individual standards but without the minimum level of mandatory disclosures proposed in the Exposure Draft.

Government promises reduction in the time taken to process critical skills employment permits for accountants

Following reports from members about delays experienced in obtaining critical skills employment permits for Chartered Accountants, the Institute met with officials from the Department of Enterprise, Trade and Employment to discuss ways to reduce the current processing times. Department officials informed the Institute that they are very aware of the delays and are currently implementing a range of measures to reduce the processing times to three to five weeks.

The Institute welcomes any feedback or comments from members experiencing difficulties with obtaining critical skills employment permits; please email publicpolicy@charteredaccountants.ie.

"We need the Government to follow through on its commitment to 'level up' Northern Ireland, and the activation of our power to set our own corporation tax rate is the most effective means we have of levelling up."

Maeve Hunt, Ulster Society Chairperson

EU CONSULTATION ON VAT RULES IN DIGITAL AGE

The European Commission has launched a public consultation on VAT rules in the digital age ahead of a new legislative package due later this year that will cover digital reporting and e-invoicing requirements for businesses across the EU, new rules for the platform economy, and a single registration for companies in the EU. These measures will aim to reduce the administrative burdens for businesses and also help fight VAT fraud. The consultation deadline is 15 April 2022.

10 minutes

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Brexit and the Northern Ireland Protocol: where are we now?

In the nearly six years since the UK public voted to leave the EU, negotiators have yet to come up with a plan that meets the needs of both sides with regards to Northern Ireland. **Tony Connelly** outlines the negotiation issues, the problem with the NI Protocol and what could change in the future.

As 2022 gets underway, it is striking to realise that it is nearly six years since the Brexit referendum and a full year since Britain's formal departure from the European Union (EU). Despite the desires among fervent Brexiteers for a clean break, the past year has taught us that Britain and the EU will remain entangled in each other's affairs for some time to come.

The problem of the NI Protocol

The Northern Ireland Protocol remains at the heart of that entanglement. While European capitals are growing weary of the perpetual antagonism over Britain's departure – including the Irish question – the incoming French Presidency of the EU has made it clear the first step in normalising a post-Brexit relationship is a resolution to the Protocol standoff.

The EU's support for Ireland's position remains striking. Irish diplomats have always feared that the Irish border question would end up as the "stone in the shoe" – a minor, regional irritation that should not stand in the way of a broader EU–UK relationship.

So far, that has not come to pass despite some reliably-sourced occasions where the UK has appealed bilaterally to capitals for a more pro-British understanding of the Protocol. Dublin, indeed, remains alert to the UK's efforts to place the problems of the Protocol in a broader geopolitical context.

In her first detailed remarks on the subject, the UK's new Brexit negotiator, Liz Truss, specifically linked the Protocol negotiations to conflicts elsewhere. "I believe that the United Kingdom and the EU, as believers in freedom and democracy, are capable of working out a solution which delivers for the people of Northern Ireland," the Foreign

Secretary wrote in the Sunday Telegraph on 8 January. "This will enable us to focus our energies on major external threats – such as Russia's aggressive activity towards Ukraine – and building our economies following this pandemic."

The EU would undoubtedly like to deepen its strategic relationship with the UK. The UK resisted any attempt to include a treaty-based relationship on foreign and security policy in the Trade and Cooperation Agreement (TCA). However, Brussels would still like one to develop.

"I BELIEVE THAT THE UNITED KINGDOM AND THE EU, AS BELIEVERS IN FREEDOM AND DEMOCRACY, ARE CAPABLE OF WORKING OUT A SOLUTION WHICH DELIVERS FOR THE PEOPLE OF NORTHERN IRELAND," THE FOREIGN SECRETARY WROTE IN THE SUNDAY TELEGRAPH ON 8 JANUARY.

"There is a common-sense willingness and political will [among member states] to engage with the UK… and having the UK as a partner," says one EU diplomat. "It's simply been blocked by the noise of the TCA, the Protocol, and the fact that the Brits say they don't want to have a formal agreement. I'm not hearing people saying, 'over our dead bodies', 'the Brits have nothing to offer', 'Brexit means Brexit'. We were never hearing that."

For now, no such relationship is maturing. The EU invests a lot of energy in its economic and security relationship with the United States, but there is no outline of what a long-term partnership could look like with the UK. London has refused to articulate what it wants, and the EU lacks the tools (the "scaffolding", as one diplomat puts it) to construct one.

What is the economic damage of Brexit?

The COVID-19 pandemic has obscured the true economic impact of Brexit, and that means it is hard to predict. 1 January 2022 saw the full introduction of customs checks and controls on EU goods entering the UK, meaning a more realistic picture of trade friction will emerge, but it is not fully apparent yet.

"As the UK starts phasing out all of its derogations and starts actually implementing checks, we will see how things bite and the impact that will have on trade flows," says one EU official. "As the pandemic starts to lift and people start to travel again, that will be the moment that the penny really drops: just what is the damage here?"

The UK has exempted goods from the Republic of Ireland from its new checking regime. This is good news and bad news: while it keeps trade – especially the agri-food trade – flowing, it has caused frustration for many companies that have invested heavily in preparing systems and training staff.

Many Irish companies have been looking beyond the UK, not least because of the uncertainty about London's intentions. Irish food, drink and horticultural exports to other markets have increased. Although exports to the UK are still significant (Bord Bia recently reported sales worth €4.4 billion or 33% of total export value), there was a 9% decline in volume between January to October 2021 compared to the previous period in 2020. This was partly due to stockpiling in late 2020; however, it also suggests that food exports to the UK will suffer. The big concern is the requirement for UK export health certificates on Irish beef, cheese, lamb and other valuable commodities, due from 1 July.

Irish companies importing goods from the UK have adapted after a challenging first quarter in 2021. "As companies got used to the new controls, particularly food companies, where they're having to get their heads around [EU] health cert requirements, month-on-month it's probably just got better and better," says Carol Lynch, a partner in BDO Customs and International Trade Services department.

The major development of 2021 was undoubtedly the decline of the UK landbridge as the preferred route into Europe (and vice versa) as direct, two-way sea crossings to Europe increased from a pre-Brexit level of 12 to 44 crossings last year.

This growth reflects the real-world adaptation by companies. What is harder to predict is Brexit's overall impact on the island of Ireland economy. The deadlock of the Northern Ireland Protocol means that exporters and importers, and foreign direct investment remain in a holding pattern while the politics remain unresolved.

As is so often the case, Ireland is hostage to the internal dynamics of the Conservative Party – the same dynamics which gave rise to the referendum in the first place.

May UK elections and the Protocol

Liz Truss has introduced a more cordial style to the relationship with the European Commission, in contrast to the antagonistic approach favoured by her predecessor Lord Frost. The EU delegation warmly appreciated her welcoming of the EU's chief negotiator Maros Sefcovic to Chevening House in Kent for their first face-to-face meeting. Still, once the pleasantries were out of the way, both sides retreated to well-worn positions on the Protocol.

The fact that Truss is a front-runner in any contest to succeed Boris Johnson as Conservative Party leader will undoubtedly restrict her room for manoeuvre. Suppose there is to be a leadership challenge after the May local elections. In that case, Truss will need the support of the hard Brexit European Research Group (ERG) to get into the second round, so she is unlikely to sign up to a deal on the Protocol which does not meet its sovereignty yardstick.

For his part, Boris Johnson is launching a raft of right-wing initiatives, from reducing the number of migrant boats crossing the English Channel to freezing the BBC licence fee, to expressly appeal to the kind of Tory backbenchers who have been the most unyielding on the Protocol. This does not bode well for an agreement by the end of February, which the Irish government had recommended to avoid the issue colliding with the Northern Ireland Assembly elections scheduled for May.

The UK government, leadership contest or not, will also be determined to ensure that the DUP maximises its vote. Will London play hardball and refuse to compromise on its maximalist Protocol position in order to give the DUP a rallying point? Or, will Truss decide that a quick deal on the Protocol can be dressed up as a win for Jeffrey Donaldson (the Foreign Secretary has not shied away from championing post-Brexit agreements even where the detail does not quite match the hyperbole)?

Moving negotiations forward

So far, the Protocol negotiations have remained stuck. The UK believes the EU October proposals to ease the burden of the Protocol don't go nearly far enough, and the EU says they can't go any further, and certainly not as far as the UK Command Paper.

"AS COMPANIES GOT USED TO THE NEW CONTROLS, PARTICULARLY FOOD COMPANIES, WHERE THEY'RE HAVING TO GET THEIR HEADS AROUND [EU] HEALTH CERT REQUIREMENTS, MONTH-ON-MONTH IT'S PROBABLY JUST GOT BETTER AND BETTER," SAYS CAROL LYNCH, A PARTNER IN BDO CUSTOMS AND INTERNATIONAL TRADE SERVICES DEPARTMENT.

The EU has dealt with the issue of how to ensure the free flow of medicines (both generic and innovative) to Northern Ireland by reforming its own legislation, so the focus now is on reducing customs and agri-food controls.

London believes there should be no checks or controls on British goods clearly destined only for Northern Ireland end-users. In other words, it should be as easy to move goods from Birmingham to Belfast as it is from Cardiff to Glasgow.

The UK does accept there should be checks on goods heading for the South via Northern Irish ports (in that sense, London has acknowledged the need for an Irish Sea border). Differentiating the two goods streams should be up to commercial British operators through a trusted trader scheme based on enhanced product line surveillance.

The EU more or less accepts this approach in principle, to the extent that Brussels would permit green lanes at Northern Ireland's ports for such consignments. However, working out the safeguards and reassurances is proving very difficult. Brussels insists a discretionary level of checks on British goods must still happen (even if traders say the goods are staying in Northern Ireland) because a risk-based approach requires it.

There must also be strict labelling of individual items to indicate that they can only be consumed in Northern Ireland. In some instances, goods would have to be manufactured according to EU standards.

While each consignment would have a smaller number of data lines under the Commission's proposals, they would be backed up by detailed information – pre-notified electronically – to ensure traceability.

Checks would, therefore, be reduced but not eliminated; the UK wants checks eliminated (at least for NI-only trade flows).

The retail industry in Northern Ireland insists that for smaller and medium-sized operators involved in Irish Sea trade, complying with all three requirements – labelling, conformity, pre-notification – would be too expensive or would not be worth the hassle.

Frost's insistence that the European Court of Justice no longer has a role on the Protocol did not lend itself to an atmosphere in which a deal looked doable. The question is whether or not Liz Truss can break the deadlock.

The Irish Government believes an improved atmosphere cannot but help and that a deal based on the Commission's October proposals and packaged as a victory by Truss might be possible. But the margins will be tight.

"The Commission isn't an independent actor in this," says one EU diplomat. "The package that's on the table was agreed with the 27 member states, and it was agreed with considerable difficulty inside the European Commission. The member states somewhat reluctantly signed off on it, and it was made clear that we were at the limit of legal and political acceptability.

"The Commission has come a tremendously long way. And yet, the British are right in saying that last year the Commission was ruling out a lot of this stuff. So, with the right packaging and the right presentation, Truss could present it as a big victory."

That suggests a lot of careful diplomacy and expectation management. Yet, the process, already under time pressure, is playing out amid the helter-skelter turmoil of Westminster. London has not abandoned the threat of triggering Article 16, although with each new survey showing Northern Ireland businesses and manufacturers acclimatising to the Protocol (or even thriving), it is a weapon that looks riskier and riskier.

By January 2022, the Central Statistics Office confirmed what many had predicted: exports from Northern Ireland into the South had surged by 64% in the first 11 months of 2021, while exports in the other direction rose by 48%.

The EU's instinct at previous upheavals in the Brexit process has been to hold firm and let the Westminster histrionics play themselves out. But politics in Northern Ireland do not enjoy the same luxury.

Tony Connelly is the Europe Editor at RTÉ.


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Value for Money with a Master Trust Pension Scheme

Mark Bowers, Senior Corporate Distribution Manager at Zurich Life, outlines the key questions an employer should ask to understand the real value their pension scheme is adding to employees.

At Zurich, we believe there are three core areas in delivering good outcomes from an employee pension scheme: consistent investment performance, effective member engagement, and a robust process and governance framework.

Having financial security in retirement is one of the principle worries an employee will have. Today, we see more and more employees looking to their employer to help them prepare for long-term financial security. So much so that retirement planning has become the fundamental and integral part of company wellbeing programmes. Of course, one of the challenges a Defined Contribution (DC) saver will face is that they can only maximise their future retirement income if the scheme they contribute to delivers 'value for money'.

In DC arrangements, whether in a single trust or as a participant in a master trust, an employee's retirement income depends on the level of contributions and the performance of investments. Most employees take a hands-off approach when it comes to investment decisions and rely on the scheme's default investment strategy to achieve their income replacement goals. The investment strategy and its ongoing performance are, therefore, critical elements for employers to consider as they heavily influence member outcomes.

When it comes to the first of the value-for-money core principles, consistent investment performance, the following are some key considerations to keep in mind:

- **Investment performance has always been the key driver of pension adequacy.** You should be asking yourself if the fund performance delivering what was hoped, and why and how the default strategy is performing against its peers, particularly in the important growth phase. Looking under the surface at how the investment manager performs during the growth stage can be very enlightening. Navigating the good times and bad times through the full market cycle is where investment managers can really add value – and if this isn't happening as you thought then questions should be asked. It is the compounding effect of returns that has a transformative impact on DC members' pension adequacy.
- **Member engagement with regard to their investments drives understanding.** More questions you should be asking are if the employees engaged, how accessible and proactive the stakeholders are in supporting employees to enhance their financial wellbeing, and do employees understand how their savings are invested and the impact of any investment decisions they make.
- **How aligned is the pension with your organisation's beliefs and plans and how is environmental, social and governance (ESG) integrated?** Incorporating sustainability into business is an increasing priority for employers, and we are finding that employees are now also challenging employers to offer a pension

that invests responsibly. This has become more apparent of late but poses questions as to what the investment manager is doing and demonstrate what real impact their investment approach is having on a sustainable future.

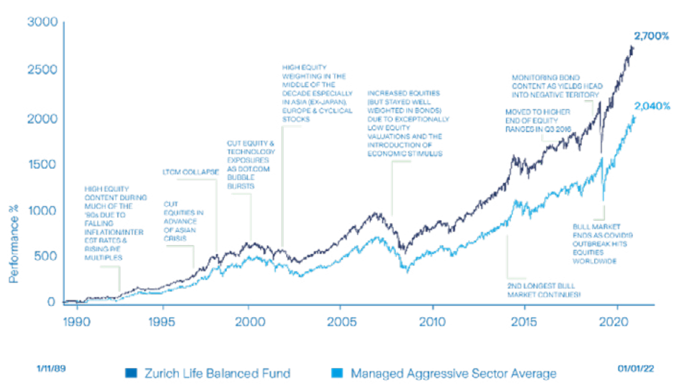
- **What are the objectives and mechanics of the default strategy you are offering employees?** What are the underlying funds and how, and over what time frame, does the strategy de-risk? Is it a one-size-fits-all approach or is there flexibility within the strategy to allow members tailor their own investment journey, perhaps the risk/reward balance and/or benefit mix?
- **A strong track record of out-performance demonstrates effective management** underpinned by a robust process and governance framework. How consistent is the investment manager's methodology and process? Is the process proven across the full market cycle?

Today in Ireland, most DC pension scheme assets are invested in active multi-asset funds. Good active investment management adds

A key reason why Zurich has been voted number one for investment excellence for the last seven years* is down to the consistent out-performance of our funds which are managed using Zurich Investments' active top-down process.

greater value than passive/indexed management funds to members' pension pots. This is achieved through consistent investment out-performance while at the same time making a positive impact on society through active ESG integration.

A key reason why Zurich has been voted number one at the Brokers Ireland Financial Excellence Awards for investment excellence for the last seven years is down to the consistent out-performance of our funds which are managed using Zurich Investments' active top-down process. This tried and tested



Source: Zurich Life

process operates within well-defined risk parameters to repeatedly give strong member outcomes.

People retiring with Zurich have enjoyed better retirement pots as a direct result of our better investment returns.[1]

- Prisma 5, the underlying fund in the growth stage of our DC investment strategy, Personalised Guidepath, has produced outstanding annualised five-year returns of 11.9%.[2]
- Zurich's long-standing Balanced Fund has given an annualised return of 10.1% over the last 30 years.[2]

Zurich provides a range of solutions to meet employer needs, whether through participation in the Zurich Master Trust or on a standalone trust basis. If you would like further insights into how Zurich supports employers and trustees to provide value for money to members, please contact Mark Bowers on 01 209 2299 or email him at mark.bowers@zurich.com.

*Source: Brokers Ireland, Financial Excellence Awards, 2021.
[1] Source: Zurich Life & MoneyMate, December 2021.
[2] Source: Performance figures are provided by Financial Express, to 31/12/21. Annual management fees apply. The fund growth shown is before the full annual management charge is applied on the policy.

Zurich Life Assurance plc is regulated by the Central Bank of Ireland.

The return is based on an investment in the fund and does not represent the return achieved by individual policies linked to the fund.

Warning: Past performance is not a reliable guide to future performance.
Warning: Benefits may be affected by changes in currency exchange rates.
Warning: The value of your investment may go down as well as up.
Warning: If you invest in these funds you may lose some or all of the money you invest.

The professional public servant

Brian Keegan, Director of Advocacy and Voice at Chartered Accountants Ireland, talks to Gabriel Makhlouf, Governor of the Central Bank of Ireland, about the changing regulatory landscape, the challenges facing businesses after a tumultuous two years, and the need for greater financial literacy.

We think of the Central Bank as a regulatory body, but it is a very large entity. Can you talk to us about your management style and your personal approach to managing a large, highly-qualified staff?

The Central Bank plays a very important role across the financial system, particularly when dealing with people who work in risk and control functions. This is essential in ensuring that the financial system ultimately works in the best interests of consumers and the wider economy. We have strong, established relationships with auditors based on solid foundations with open communications and this is a crucial relationship for us.

I joined the Inland Revenue in New Zealand when I finished studying and I am a public servant, essentially, by profession. I trained as a tax inspector and I had a lot of dealings with accountants in the UK before I moved on to different things.

As a leader, there are a number of things that are really important to me. It is really important that the organisation is clear about its mission and vision, and that senior management makes that happen. People in leadership roles need to help the organisation to be clear on its mission and vision. This helps to promote focus and priority-setting.

I would like to think that the mission and vision of the Central Bank are clear. We are responsible for monetary and financial stability; making sure that the financial system works in the interests of consumers and the wider economy. We want to be trusted by the public. This is the dominant theme that I have been engaging with staff about since I took up my role. When the Central Bank was established in 1942, the legislation establishing the bank stated that the predominant aim of the Central Bank was the welfare of the people. This is an important statement which I still use.

Are you satisfied that you are achieving this?

Yes, I am. I certainly think we can do better. For the people who come to work at the Central Bank every day, I think that sense of public service is really important. I think what we probably do not do well enough is to explain to people how our various policies ultimately promote the welfare of the people as a whole. As an example, our mortgage measures have a very specific purpose which has to do with financial stability, with indebtedness and with over leveraging, among other things. Underpinning all of that, from our perspective, is promoting the welfare of the whole country. That is very important to me.

As I have said previously, we need to be accountable to the public in an engaging and transparent way with key performance indicators. I put a big premium on diversity of thought and an organisation like the Central Bank must reflect this. I also think it is important for leaders to be ambitious for their organisations and I am ambitious for the Central Bank.

Leaders need to focus on the stewardship of their organisations. We need to spend as much time thinking about how to ensure the organisation will be fit for purpose for our successors, as well as for us. That puts a premium on leaders to look ahead, to understand their context and also to understand what their context will be in the medium-term, not just over the next year. We need to be able to accept that change is constant and happening in our external environment faster than it has ever before. Organisations like the Central Bank are all about people and the recruitment, development of staff is crucial for any organisation.

Following on from that point, can you talk about the challenges managing an organisation in a pandemic?

One of the legacies of the pandemic is how we are going to manage hybrid working. I think this is an underappreciated

challenge and I think, personally, that remote working is unsustainable over the medium-term.

At the Central Bank, most of us have worked from home for almost two years. A small number of us have been coming in every day because we had no option. For the first three months of the pandemic, this worked extremely smoothly.

As time has gone on, people have changed jobs. People have left the Central Bank and new people have joined us. These new recruits have not physically been in the bank or met their colleagues. They have not had the experience of learning by observing. You learn a lot by observing what other people are doing and by asking impromptu questions. Over the medium-term, organisations such as ours require a strong culture and the ability to bring fresh people in. Our strength is in our collective effectiveness.

We are going to have to work out how we can get away from remote working, but we are not going to go back to where we were. We are going to move to hybrid working. This will lead to new challenges and we going to have to try to discover how to deal with these challenges. There will be people who will prefer to stay at home, but I know there are many other people who want to come into the office. Diversity and inclusion tend to be about gender and colour, disability and sexuality, but I can see a new diversity challenge in dealing with people who don't want to come into the office and dealing with people who do.

What is your perception of the global economy after Brexit and the expectation that a lot of business will move to places like Dublin from the UK? Has this proven to be the case and has Dublin benefited from the so-called 'Brexit bounce'?

Brexit has led to a lot of financial services coming to Ireland in terms of the arrival of new entities and the expansion of entities that are already here. It has to be pointed out that Brexit is not over and the process of financial services adjusting to whatever constitutes the 'new normal', is ongoing. Brexit has had an effect on increasing financial services in Dublin and it might have a continuing effect in the future but this also applies to Paris and Amsterdam. I expect that financial services in the EU will grow more than we would have expected before the Brexit referendum in the UK. This does not mean that London and the UK will not continue to be important financial centres, but I think you will see growth elsewhere in the EU. From a financial services standpoint, the UK's exit from the EU has been relatively smooth and well-managed from all sides but there are still issues that will have to be debated at political level.

What is the Central Bank's view of the departure of some banks, including KBC Bank and Ulster Bank, from the Irish market? Is there a need to fill that gap in the market and have you a strategy to address this issue?

That is a very interesting question. After the global financial crisis, credit availability for Irish SMEs during the recovery phase post-2013 improved dramatically. There were a lot of policy initiatives that were very helpful and, compared to a lot of the rest of the world, the Irish government's focus in this area was pretty strong.

We had the establishment of the Strategic Banking Corporation of Ireland (SBCI), the introduction of the Future Growth Loan Scheme, the setting up of the Credit Review Office, and the Loan Guarantee Scheme. All of these things were very important for Irish business.

One of the interesting things our research has shown is that in the years preceding the pandemic and during the pandemic itself, the drag on credit flows to SMEs seemed to be driven predominantly by a weak demand for financing from SMEs rather than by a weak credit supply on behalf of lenders. In a European context, Irish SMEs had among the lowest application rates for credit. From the point of view of the Irish economy, the most important thing is that there is credit available for businesses to use when they need it and that is why it is interesting that Irish SMEs are slight outliers in terms of their demand.

ONE OF THE INTERESTING THINGS OUR RESEARCH HAS SHOWN IS THAT IN THE YEARS PRECEDING THE PANDEMIC AND DURING THE PANDEMIC ITSELF, THE DRAG ON CREDIT FLOWS TO SMES SEEMED TO BE DRIVEN PREDOMINANTLY BY A WEAK DEMAND FOR FINANCING FROM SMES RATHER THAN BY A WEAK CREDIT SUPPLY ON BEHALF OF LENDERS.

The departure from the market of KBC Bank and Ulster Bank poses risks for borrowers. Ulster Bank itself was the third largest player in terms of lending to SMEs. Fewer players in the market means higher prices, lower volumes and less service choice. No doubt, the Competition And Consumer Protection Commission will be paying close attention to these developments.

What we are seeing is that digital operators in fintech and non-bank intermediaries are expanding their lending to business. Our own statistics team has found that the share of lending to Irish SMEs from the non-bank sector is

THE CHALLENGES FOR THE BIG CORPORATE LEGACY BANKS ARE NOT DISSIMILAR TO WHAT LARGE INSTITUTIONS IN OTHER ECONOMIC SECTORS ARE FACING. THEY BECOME BIG, THEY BECOME CUMBERSOME AND THEY ARE SUDDENLY FACED BY COMPETITION FROM ENTITIES THAT ARE MORE AGILE.

already above one third in some sectors.

Access to alternative sources of finance will become easier, cheaper and faster. Core financing from Irish banks will continue to be absolutely key to Irish business, but it will be interesting to see what impact the competition that is now emerging will have on the wider market. The challenges for the big corporate legacy banks are not dissimilar to what large institutions in other economic sectors are facing. They become big, they become cumbersome and they are suddenly faced by competition from entities that are more agile. I suspect that the Government's Retail Banking Review will look at some of these issues.

Will these developments pose new challenges for the Central Bank?

We published our new strategy in December 2021. A lot of our focus in the past has been about fixing the problems of the financial crisis. With the new strategy, we are going to pivot and increasingly focus on the challenges we will face in the future. One of these challenges is regulating and supervising the rapidly changing financial services landscape. That is going to be a very significant focus for us.

We are already seeing issues that give me cause for concern. Crypto is an unregulated market and there are real risks to businesses and consumers in this area. The regulatory world is gearing up to take action, but it is something that we in the Central Bank are going to keep a very close eye on. Technology is accelerating the need to address the issue of financial literacy. I have always been a proponent of the education system having a component that helps young people to understand how finance works. What I have seen in crypto is the ease of putting your money into some of these ventures. There is an increasing risk, in my opinion, that young people using their mobile phones to access crypto are going to get into trouble.

Would it be fair to say that there is a greater awareness in New Zealand of the role of the government institutions than there is in Ireland?

That may be true, but it would depend on what part of New Zealand you visit. If you go to Wellington, the capital of New Zealand, the working life of the city is dominated by government. When you meet people in the streets of Wellington, you will find that they are working in government or their partners are working in government. This is not necessarily the case in Auckland or in other parts of the country.

Certainly, the Treasury, which I led in New Zealand, had a very strong brand. This stemmed from the fact the Treasury in the mid-1980s and early 1990s played a very large part in the overall reforms that New Zealand went through. I think there is a much bigger commercial sector in Dublin than in Wellington, whereas in Wellington the public sector dominates.

Can we talk about the challenges of money laundering? Are we doing enough to counter this problem and what can we do to counteract the problem?

It is an issue that we need to address, and the EU has decided to set up a new agency to tackle money laundering. I think we also have to ask questions about how seriously the community views white collar crime. We need regulators, financial professionals and politicians to align themselves to dealing with money laundering. In my view, the whole issue of the conduct of financial services, particularly in banking, has to be addressed. As a community, we need to say that money laundering is unacceptable and we need to do something about it.

Thank you for taking the time to speak to us today, Governor.

Thank you.

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An Roinn Fiontar, Trádála agus Fostaíochta
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Qualified Freelancers for Accounting Firms.

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Freelance workers are now a real alternative option for accounting firms.

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Designed to fail?

Dr Brian Keegan explains why the OECD's Pillar 1 scheme (to have the largest multinational companies taxed in part in their market territories) is far more ambitious than Pillar 2's 15% minimum effective corporation tax rate – and may achieve its goal without necessarily having to take effect.

IN THE 1600S, THE DUTCH EAST INDIA COMPANY QUITE LITERALLY BECAME A LAW UNTO ITSELF. HAVING AN ACCOUNTING PERIOD OF A DECADE RATHER THAN A YEAR WAS ONLY ONE OF ITS IDIOSYNCRASIES.

Governments across the EU will be watching the progress of the new directives to give effect to a 15% minimum effective corporation tax rate within the trading bloc. Few of these governments will be watching developments unfold quite as closely as the British government. While no longer obliged to adopt EU directives, the British government have, nonetheless, signed up to the essence of the 15% proposal. Given that the UK headline corporation rate is well in excess of 15%, every EU change might bring opportunity for the British economy.

There were, however, always two parts (or pillars, in the jargon) to the OECD-backed grand plan for the taxation of the major multinational sector. The current focus of the 15% project (Pillar 2) has taken the spotlight off the far trickier topic of where the largest entities pay their taxes (Pillar 1).

Large multinationals have created problems for governments since the time of the Dutch East India company. In the 1600s, the Dutch East India company quite literally became a law unto itself. Having an accounting period of a decade rather than a year was only one of its idiosyncrasies. Ever since, governments have walked the fine line between maximising revenue from their multinationals while not losing control of them.

The Pillar 1 scheme (to have the largest companies taxed in part in their market territories) is far more ambitious than Pillar 2. It overturns the right to charge tax based on the residency rule – a fundamental principle of tax law. Pillar 1 was devised as a blocker for digital services taxes currently threatened, if not implemented, in many countries. A digital services tax is, in effect, an excise duty on services (and thus overturns another fundamental principle of taxation, namely that excise duties are charged on goods). Pillar 1 was sponsored by the US to sidestep a disproportionate burden on its largest digital services companies.

From an Irish perspective, the proposed relocation of taxing rights under Pillar 1 may pose a greater threat than the 15% minimum effective rate. The threat extends beyond exchequer receipts. Large multinationals employ an unusually high proportion of Irish workers compared to most other countries. Pillar 1 may make it more efficient for some multinationals to relocate jobs to their market destinations to manage their overall tax bills.

But before anyone starts checking their visas and work permits, I'd suggest that the prospects of Pillar 1 happening any time soon are poor. Pillar 1 implementation requires countries to change their double taxation agreements. Previous OECD-backed reforms have also required treaty changes to stop tax avoidance using mismatches in the tax treatment of so-called hybrid instruments and the like. Yet, the US, which is the principal architect of Pillar 1, has yet to sign up for this kind of treaty change for any purpose.

This US reluctance to modify its own treaty network can be ascribed, at least in part, to Washington gridlock. Now, implementing Pillar 1 presents the additional political challenge of whether the US will be happy to lose tax to high-population market destinations like Brazil and China.

It may well turn out that Pillar 1 is a proposal primarily designed to block a digital services tax without ever having to come into effect itself. If this is the case, the current focus on the Pillar 2 15% rate is well-placed. There will be opportunities, not just in the UK, but in Ireland as well.

Dr Brian Keegan is Director of Advocacy and Voice at Chartered Accountants Ireland.

Accounting faculties and the future of the profession

Professor **Anne Marie Ward** and Professor **Niamh Brennan**, both Chartered Accountants, make the case for diversified accounting faculties with a healthy proportion of accounting academics who are professionally and doctoral qualified.

The accounting profession comprises three pillars: research, policy, and practice. Rigorous research should inform policy, which leads to best practice. Accounting faculties in higher education institutions can foster links between the three pillars. They prepare students for entry to the accountancy profession; hence, they have the potential to influence future practice. They also undertake research that can inform policy, including regulation of the profession, standard-setting, accounting education, and ethical approaches.

What is the problem?

Some argue that accounting education is too focused on techniques, rules, processes, and procedures, with insufficient focus on the ethical implications of accounting and its role in the economy and society. Some also argue that accounting research is too academic, unrelated to accounting practice and hence has little impact on policy formulation. In academic circles, this is referred to as the 'theory-practice gap'. We believe that having a healthy proportion of accounting academics with both a professional qualification and an academic qualification (i.e. PhD) within accounting faculties can help resolve these problems. As these individuals have experience in practice, they can better inform student learning. In addition, they are best placed to identify research areas that would benefit the profession. Unfortunately, however, the proportion of professionally trained and research-trained academics within accounting faculties across the globe is dwindling due to retirements and a dearth of accounting doctoral graduates.

University ranking metrics have not helped. For example, recruitment policies in the UK since the 1980s have largely ignored the professional accountant pool due to pressures from higher-education performance metrics. Research scoring systems, such as the UK Research Excellence Framework, feed into university rankings and influence university funding. Consequently, university managers focus on recruiting individuals with PhDs who are more likely to achieve the research outputs required to enable the university to move up the rankings and optimise funding. Therefore, there has been a shift to recruiting PhD graduates from other disciplines, for example economics and engineering, to accounting posts because of a lack of accounting doctoral graduates.

However, these individuals are not equipped to service technical accounting subjects. Thus, university managers employ non-research trained professional accountants as teaching associates/part-time lecturers to service professionally accredited modules. As a result, accounting faculties in some universities comprise two cohorts: those academically trained (i.e. PhDs) and those professionally trained and qualified (e.g. Chartered Accountants). This dichotomy is concerning for the future of accounting as an academic discipline, as it serves to widen the gap between theory and practice. Indeed, academics argue that the future of accounting as a separate academic discipline is at a crisis point, with accounting departments increasingly seen as service providers ('cash cows') that help to finance other academic subject areas, as opposed to being a premium academic subject in its own right.

International interventions

Accounting profession representative bodies and policymakers in the US, England and Wales consider it strategically important to retain accounting as a quality academic subject area that actively produces research to inform accounting policy and practice. To this end, they have implemented strategies to reduce the shortfall of academically trained professional accountants. For example, the American Institute of Certified Public Accountants' (AICPA) Accounting Doctoral Scholars (ADS) programme manages the largest investment ever made by the accounting profession to address the shortage of accounting faculty members (www.adsphd.org). This started in 2008 when accounting firms, state CPA societies, the AICPA Foundation and others invested over $17 million in the programme. By 2020, this funding had helped more than 100 CPAs transition into academic careers.

In the UK, the Institute of Chartered Accountants England and Wales, (ICAEW) Livery Charity provides four grants every year to successful ICAEW members who decide to pursue a career in academia and undertake doctoral studies. The total grant is £15,000 per successful applicant and is paid on a pro-rata basis throughout the doctoral programme.

The situation in Ireland

In Ireland, the links between the accounting profession and higher education institutions are strong and recruitment policies to accounting faculty posts have historically favoured professionally qualified candidates. Thus, most Irish higher education institutions have a diverse mix of accounting academics, including those who are:

1. Both professionally and research trained;
2. Research trained only; and
3. Professionally trained only.

This diverse range of backgrounds should foster communion between research, policy, and practice. However, increasing pressure on higher education institutions to meet the performance targets required under university quality ranking systems means that recruitment strategies now favour doctoral qualified candidates. Care is needed to ensure that the dichotomy observed in other countries does not become a feature of Ireland's accounting faculties. A balance between the three pillars is necessary to ensure that accounting remains an important academic subject in its own right within higher education institutions and not a cash cow that generates income to fund other academic subject areas.

CARE IS REQUIRED TO ENSURE THAT THE DICHOTOMY OBSERVED IN OTHER COUNTRIES DOES NOT BECOME A FEATURE OF IRELAND'S ACCOUNTING FACULTIES.

Lecturers with both professional and academic skills can serve as a bridge between academia and practitioners and between non-professionally qualified, research-focused academics and teaching associates. Combining the skills of a professionally orientated faculty alongside relevant and high-impact academic research not only prepares students for the future of work as professionally trained accountants, it also contributes favourably to the development of accounting, business, society, and the broader economy. The UK Research Excellence Framework places a premium on research that has impact, where research can be proven to have informed society or business. This is more achievable if accounting faculties include professionally qualified individuals with links to the profession who are also research trained. Research has shown that university managers identify an ideal academic as someone who can produce "rigorous and high-quality research, to teach to a high standard, to fuse academic and professional knowledge and experience, and foster relationships with the wider accounting community".[1] This suggests a market for accounting lecturers that are both professionally and academically trained.

Why do professional accountants enrol for doctoral education?

Research has not examined what drives professionally qualified accountants, who have an established career, to start again at the bottom rung of the ladder in academia. In response to this gap in knowledge, we addressed two questions in our research:

- What motivates students to enrol in accounting doctoral programmes?
- Is there a difference in the motivation of professionally qualified and non-professionally qualified accounting doctoral students to enrol?[2]

To investigate these issues, we surveyed and interviewed 36 accounting doctoral students enrolled at higher education institutions on the island of Ireland. Of these, 13 were professionally qualified. In total, 14 reasons for enrolling for doctoral education were uncovered. Interviewees reported that their main motivations for enrolling for doctoral education were expectations of a career in academia, enjoyment of research or interest in their doctoral topic, the status of the PhD qualification and work-life balance. In terms of differences, non-professionally qualified doctoral students were predominately motivated to enrol by the pursuit of knowledge and financial rewards.

In contrast, most professionally qualified doctoral researchers were *initially* motivated to enrol because of dissatisfaction with their professional careers. In the main, they felt they lacked autonomy over their work and work-life balance. Autonomy is a key psychological need. When individuals consider that they do not have autonomy over their life, it can affect their well-being and happiness. In addition, about half of the 13 professionally qualified interviewees felt that they did not have a sense of belonging in the profession. Those dissatisfied with their professional career anticipated that an academic career would enable them to have more autonomy over their work and work-life balance. In addition, they were attracted by the status of the PhD qualification, and most interviewees identified that they were interested in researching a topic in depth.

A career in academia?

We end this article with a call to Chartered Accountants wishing to change careers. If you enjoy learning new things, working independently, and being challenged, you will enjoy research. If you enjoy developing other people, you will enjoy teaching. Finally, if you are ambitious, you will be given plenty of leadership opportunities. Most lecturers are course directors or have other leadership positions from early in their careers. Therefore, if you are considering a career change, why not consider a career in academia?

[1] Paisey, C., and Paisey, N.J. (2017). The decline of the professionally-qualified accounting academic: Recruitment into the accounting academic community, *Accounting Forum*, 14(2), 57–76.
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This research was funded by the Chartered Accountants Irish Educational Accountancy Trust, CAIET Grant number 201/15. Full details of our research study are available at the following link: https://doi.org/10.1080/01559982.2021.2001127

Anne Marie Ward FCA is Professor of Accounting at Ulster University.

Niamh Brennan FCA is Michael MacCormac Professor of Management at University College Dublin.

Helping accountants and their clients achieve their business best

From a small business in Newcastle to one million customers globally, Sage continues supporting SMBs with the impending launch of Sage for Accountants in Ireland.

According to Sage Ireland Managing Director Barry Murphy, automating business processes should be easy and hugely beneficial. "Lots of businesses look at automation through a technology lens and get quite intimidated by it," he points out. "They have been put off digitalising or automating parts of the business because they thought it would divert their focus from other parts of it. But that shouldn't be the case at all. Our innovative solutions make it easy, and we ensure a return on investment for our customers in terms of time saved."

Those customers include tens of thousands of accountants, bookkeepers, and small and mid-sized businesses around Ireland, which Sage Ireland has served for 22 years. "Sage began life as a small business in Newcastle and now has 11,000 employees globally and one million customers globally. We've been in Ireland for 22 years and now have a 250-strong team at our HQ in Leopardstown in south Dublin. And that doesn't include the business partner and accountancy communities around the country who we work with as an extension to our team."

Barry Murphy, Managing Director, Sage Ireland.

That growth has seen the company become the largest provider of business solutions to SMBs in Ireland. "Our solutions help knock down barriers and allow our customers the freedom to focus on their core business. We work with accountants and bookkeepers of all sizes from one-person organisations to the largest firms in Ireland."

Sage's suite of solutions is designed to be easy to use and deliver maximum value to customers. "Ease of use is essential," Murphy emphasises. "Time is precious, and the time to value for any technology investment has to be very quick. Our solutions allow accountants and SMBs to automate relatively routine back-office tasks at quite a low cost. The technology handles the routine tasks; the accountants and other professionals do the intelligent bit."

Those routine tasks include invoice inputting and creation, bank account transaction capturing, and payroll. And the data from those different tasks and processes is brought together in a single view to give users access to a rich source of business information.

"The cloud-based system gives real-time insights on business performance," Murphy points out. "Accountants can use those business insights to provide their clients with the information they need to make fast, informed decisions. Our priority is to make things easier for businesses and help them achieve their goals. That's at the heart of everything we do."

And Sage customers can choose from a range of third-party apps, which integrate seamlessly with their Sage package to provide specific solutions to their needs.

"We recently introduced Sage Marketplace to Ireland," says Murphy. "Our customers can access a vast number of apps that integrate with our offerings through Sage's trusted network, and Sage has vetted all the apps on the Marketplace platform. If you think about the accounting network of an SMB, which includes everyone and everything from banks to suppliers, customers and Revenue, that network can be automated. Similarly, a retailer's e-commerce and point of sale processes can be automated, as can timesheet management for hospitality. These are just a few of the areas that can be automated to make businesses more efficient, and there are apps available to support this."

The bespoke nature of the apps means businesses can get value from them very quickly. "They make it easier to stay focused on growth and sales rather than spending time and resources dealing with manual accounting and other business workflows."

Of course, trust is critically important. Businesses trust Sage to evaluate the apps and confirm that they will meet their expectations. Murphy is justifiably proud of Sage's level of trust from its customers.

"Trust isn't built in a day," he says. "It takes years of effort. If I were to point to two areas where we have earned that trust, they would be innovation and service. Our customer support is highly regarded in the accounting community. We also regularly innovate our products to meet the needs of our customers. That's critical. Business owners need a trusted partner who is a step ahead in terms of keeping them compliant with all legislation and regulations and helping them deal with disruptions because of Brexit or the pandemic or whatever else comes their way."

Indeed, Sage recently carried out some research concerning the business impact of Brexit. Over two-thirds of respondents said it had affected their business significantly, while one quarter cited the resultant supply chain disruption as the single most significant impact. Very interestingly, 73% of Sage customers said they were prepared for Brexit when it happened. The figure for non-customers was significantly lower.

"We ensure our customers are prepared for challenges like this," says Murphy. "That's fundamental to what we do. We ensure our software is fully up-to-date to enable them to stay compliant with any new rules and regulations. At the same time, we have a dedicated online Brexit Hub to give customers the information they need to deal with the challenges it presents. We have ensured the disruptions created by Brexit haven't posed the problems they potentially could have."

Looking to the future, says Murphy, digitalisation and automation will be the norm for businesses of all types and sizes: "If you think about artificial intelligence and machine learning, they are getting smarter all the time through use. Take the period close, for example – monthly, quarterly, annual accounts. Why do they happen? Because we need time to reconcile all the data feeds. The manual process involved can be error-prone and time-consuming. But AI and machine learning can process large amounts of data in real-time, reducing the propensity for errors and effectively diminishing the period end rush. Accountants will move more into giving businesses a forward view rather than a rear-view mirror. They will be able to anticipate issues before they arise rather than discover them afterwards. Sage is a driver of that change, and our job is to stay ahead to help customers adapt to change and meet their biggest challenges."

The next milestone on that change journey will be reached in mid-2022 with the launch of Sage for Accountants in Ireland. "Our mission is to give accountants and bookkeepers a single platform to run their business on," Murphy explains. "Sage for Accountants will enable a fully integrated digital practice. We will also provide training to maximise its value to customers. We've launched it in the UK, and it's already proving highly successful. I am looking forward to working with accountants and bookkeepers in Ireland to realise the benefits that digitalisation and automation can bring to their practices, making it easier for them and their clients to do business."

Accounting for cloud computing costs

Richard Howard and **Ryan Mathers** share their insights on the cloudy topic of accounting for software-as-a-service costs.

Accounting for software costs has traditionally lagged behind technological developments, so it is little wonder that there is some uncertainty around accounting for cloud computing costs. A recent International Financial Reporting Standards Interpretations Committee (IFRIC) agenda decision on cloud computing costs, while employing a sound decision-making framework, gave an answer at odds with the perception of many financial statement preparers.

Before IFRS, we had FRSs, and FRS 10 set out that software that made a computer productive was classed as a fixed asset. Software was viewed as an integral part of the hardware. This standard was introduced in 1997, when software was only beginning to become a differentiated

product from the computer or server it sat on. Even at this early stage, accounting standards lagged what was happening in practice.

We have recently seen the move to cloud computing and software-as-a-service (SaaS). To illustrate the importance of cloud-based expenditure to the global economy, a Gartner survey from October 2021 estimated global IT expenditure of $4.47 trillion. Hardware constituted 18% of this spend, with the remainder spent on software, communications and data centres. Most of that will be spent on implementation and ongoing services for cloud-based software, cloud-hosted data, infrastructure as a service, and platforms.

We have seen two recent IFRIC decisions on the topic of SaaS. The first agenda decision, published in March 2019, concludes that SaaS arrangements are likely to be service arrangements rather than intangible or leased assets. This is because the customer typically only has a right to receive future access to the supplier's software running on the supplier's cloud infrastructure. Therefore, the supplier controls the intellectual property (IP) of the underlying software code. On its own, many would see this as a logical conclusion.

The second agenda decision, published in April 2021, deals with specific circumstances concerning configuration and customisation costs incurred in implementing SaaS. In limited circumstances, certain configuration and customisation activities undertaken in implementing SaaS arrangements may give rise to a separate asset where the customer controls the IP of the underlying software code. For example, the development of bridging modules to existing on-premises systems or bespoke additional software capability. In all other instances, the IFRIC agenda decision is that configuration and customisation costs will be an operating expense. Accordingly, they are generally recognised in profit or loss as the customisation and configuration services are performed or, in certain circumstances, over the SaaS contract term when access to the cloud application software is provided.

The March 2019 decision largely endorsed what was general practice. Companies were receiving a service over a period, and companies agreed with the substance of that.

The April 2021 decision, however, has been heavily debated. In discussions with many preparers of financial statements, few have agreed with the decision. While

CEOs are talking about their digital transformation, this IFRIC decision tells the CFO how to account for the up-front configuration and customisation of that digital transformation, which in most cases is to expense it as incurred. This is at odds with a simple view expressed by many that the benefit of these costs accrue over a period, so why would they not be capitalised?

The April 2021 decision, however, is based on various principles that, in aggregate, gives a decision at odds with the view of many CFOs. To understand their decision, it is helpful to summarise the difference between on-premise software and software as a service (see Table 1).

In March 2019, IFRIC observed that a right to receive future access to the supplier's software running on the supplier's cloud infrastructure does not, in itself, give the customer any decision-making rights about how and for what purpose the software is used. Nor does it, at the contract commencement date, give the customer power to obtain the future economic benefits from the software itself and restrict others' access to those benefits. Consequently, IFRIC concluded that a contract that conveys to the customer only the right to receive access to the supplier's application software in the future is neither a software lease nor an intangible software asset, but rather a service the customer receives over the contract term.

Some scenarios were set out where the SaaS expenditure may meet the criteria for being an intangible asset, including where the customer is allowed to take ownership of the asset during the contract or where the customer is allowed to run the software on their own hardware (consistent with FRS 10 in 1997!)

The April 2021 decision led on from this train of thought, which can be summarised as: "If you incur expenditure connecting your business to a cloud-based solution, you do not own that asset. As it is not your asset, you cannot capitalise costs you incurred in customising or configuring that software."

So, the question arises: are there any scenarios where an entity may capitalise configuration and customisation services? The simple answer is yes, and this occurs when

TABLE 1: The difference between on-premise software and software-as-a-service

	ON-PREMISE SOFTWARE	SAAS/CLOUD
OWNERSHIP	Software bought outright	Access to use is bought
LOCATION	Stored on company hardware	Software hosted by the supplier in the public cloud
ACCESS TO THE IP	The company controls the software	The supplier continues to own the intellectual property

TABLE 2: Examples of typical costs incurred in SaaS arrangements and the likely accounting treatment of each

EARLY STAGE	
Develop a business case	Expense
Select a provider	Expense
INSTALLATION AND IMPLEMENTATION	
Purchase and leasing new assets, such as servers and PCs	Capitalise
Configuration and set-up of the SaaS application software	Expense
Developing bridging modules for existing on-premise software	Capitalise
Developing bridging modules for other SaaS applications used by the company	Expense
Data cleansing and migration costs	Expense
POST-IMPLEMENTATION	
Employee training	Expense
Purchase of eLearning materials and manuals	Capitalise
Testing and ongoing maintenance	Expense
Ongoing access to SaaS application	Expense

the entity can control the software. For example, this may arise where the customer has the right to keep the software on-premise on their own servers or behind their own firewall. For on-premise software, the activities likely represent the transfer of an asset that the entity controls because it enhances, improves, or customises an existing on-premise software asset of the entity.

While IFRIC only discussed configuration and customisation activities of implementing a SaaS arrangement, the full SaaS implementation includes various activities. **Table 2** illustrates some examples (not all-inclusive) of typical costs incurred in SaaS arrangements and the likely accounting treatment of each.

Practical implications

Beyond complying with IFRIC's meeting agenda decision, there are some considerations for the many companies who have undertaken, or are undertaking, SaaS implementation projects:

- IAS 8 requires an entity to retrospectively apply an accounting policy change as if the entity had always applied the new policy. Companies may need to determine if they have capitalised costs that IFRIC may suggest should not have been capitalised and if this impacts comparative periods.
- Budgetary decisions may have been made based on digital transformation projects being largely capital in nature. However, with such costs now being expenses, it may impact performance when reviewed against budget or external forecasts.
- Some banking covenants contain EBITA or capital expenditure requirements, so the impact on covenant compliance may need to be assessed.

Conclusion

Interestingly, while the IFRIC Committee agreed with the interpretation from April 2021, out of the 19 comment letters received, only five respondents agreed with the analysis and conclusion. This would suggest that many see an issue with practicality in the decision.

Many companies we have spoken to point to the long-term benefit of such costs as the reason they view capitalisation as the appropriate route for configuring and customising software. Others have cited that it is an upgrade on the previously on-premise capitalised costs, hence appropriate to capitalise.

As we continue to use assets such as SaaS or other cloud-based solutions, it will be interesting to see how GAAP develops to recognise that software and hardware are no longer interdependent. Other topics such as accounting for open-source software development, open network cooperation, and platform arrangements will be interesting when they become material in the business world.

Richard Howard is a Partner in Deloitte's Technology, Media and Telecommunications industry group.

Ryan Mathers is a Manager in Deloitte's Technology, Media and Telecommunications industry group.

A view from the UK

It is fair to say that Brexit and COVID-19 have bashed small businesses over the past 18 months. But for many, the experience has made them more resilient and fit for the future.

AT ENTERPRISE NATION, WE SAW HIGH DEMAND FROM SMALL BUSINESSES FOR EDUCATION AND TRAINING ON HOW TO BUILD WEBSITES, MASTER SOCIAL MEDIA, ACCEPT ONLINE PAYMENTS, ONBOARD TO DELIVERY APPS AND MARKETPLACES, AND ACHIEVE ALL THIS WHILE BEING CYBER-SECURE.

When the first lockdown was mandated in the UK, I read of people on furlough who took time to learn new languages and pursue long-forgotten skills. Not so for millions of business owners who were thrown into turmoil, first wondering how they and their teams would financially survive and then, having made it through the first tense months, figuring out how to stay connected to customers.

It's a remarkable fact that the UK witnessed a start-up boom during this time. Companies House recorded the highest number of new company formations in June 2020. This was, in part, necessity entrepreneurship as those who could not find work were forced to create their own employment. But mostly, it was opportunity entrepreneurship where people with time on their hands spotted gaps in the market or took a side-hustle (a business run alongside the day-job) and turned it into a full-time venture. The task now is to ensure that these lockdown start-ups get access to the right support and have every opportunity to keep trading.

For existing businesses navigating massive change, the ones that have survived reacted fast and pivoted to serve the changing needs of customers – which mainly required going online. At Enterprise Nation, we saw high demand from small businesses for education and training on how to build websites, master social media, accept online payments, onboard to delivery apps and marketplaces, and achieve all this while being cyber-secure. When the economy and High Streets re-opened, demands changed again to where online sellers wanted to test physical retail and meet customers in person. When buffeted, founders showed strength by simply figuring out how to trade through.

Challenges remain in the logistics of getting products into and out of the UK – and the cost of doing so. Added to this are rising energy and supply chain costs, while a changing landscape of health and safety restrictions causes confusion. Yet, businesses are in the position of having faced this before.

As we start the New Year, small business owners feel more in control of their finances (as they had to take a closer look at the books when there was the risk of no funds coming in). They are digitally more capable of responding to shocks as work has been done to polish websites and plugin e-commerce capability. And possibly most significant of all, resilience levels are at an all-time high. Founders feel that if they can navigate lockdowns and Brexit, they can take on anything. This bodes well for the year ahead.

Emma Jones is the Founder of Enterprise Nation, a business support platform and provider that operates in the UK and Ireland.

Driving consistency in sustainability reporting and standards

With an increased demand for sustainability reporting, many have called for a consistent approach driven by consolidated reporting. **Dee Moran** explains recent developments and what it means for organisations.

Historically, business performance was measured through analysing financial statements. However, non-financial information is becoming increasingly important to corporate stakeholders for understanding how a business addresses environmental, social and governance (ESG) issues. Several regulations, voluntary frameworks and standards, and a substantial amount of guidance have provided a structure for the measurement and reporting of this information. In many jurisdictions, mandatory disclosure requirements have been introduced in law.

However, the lack of comparability and consistency makes it almost impossible to compare entities, and cross-framework mapping is difficult and costly. Consequently, many stakeholders have called for a consolidation of sustainability reporting standards to increase the reliability and comparability of corporate reports by companies on ESG issues across the world.

Two significant sustainability reporting developments were announced in 2021: the proposed EU Corporate Sustainability Reporting Directive (CSRD) and the International Sustainability Standards Board (ISSB). Both proposals include ambitious timeframes for their introduction. This is unusual in a standards development process, as typically changes happen over a more extended period allowing for lengthy consultation periods and a testing period to carry out impact assessments. The speed of progress, in this case, is a strong indicator of the perceived urgent requirement for new standards, but it also takes into account that these are not starting from scratch but building upon existing frameworks and voluntary requirements.

EU Corporate Sustainability Reporting Directive

In April 2021, the EU adopted the CSRD, intending to replace the current Non-Financial Reporting Directive (NFRD) implemented in Ireland and the UK in 2017, and has now been adopted into national law by all EU countries.

The CSRD will improve the reporting requirements for all the ESG elements. It is expected that the new directive will apply to approximately 50,000 companies in Europe, compared to the NFRD, which applies to about 11,000 entities. The directive will apply to large companies that meet two of the following three criteria:

- 250+ employees;
- €40 million+ turnover; and
- €20 million+ total assets.

The proposed directive includes the concept of double materiality. This requires an entity to report on the sustainability risk from two perspectives: how sustainability factors affect the company (financial materiality); and the company's impact on society and the environment (societal and environmental materiality). It will be mandatory to disclose the assessment of this materiality. Further guidance on this concept is expected when the standards are published.

The proposed directive requires more information to be disclosed on targets, strategy details, the role of the board and senior management, and intangibles and adverse impacts connected to the company and its value chain. It specifies that qualitative and quantitative information should be disclosed and include forward-looking and retrospective information and cover short-, medium- and long-term horizons. Reporting should be in accordance with the EU Taxonomy Regulation and, if applicable, in line with the Sustainable Finance Disclosure Regulation.

The European Financial Reporting Advisory Group (EFRAG) has been tasked with developing EU sustainability reporting standards. The timelines for implementation are ambitious, with draft standards expected by June 2022. Depending on negotiations in the EU Parliament and European Council, the Commission could adopt the first set of reporting standards under the new legislation by the end of 2022. That would mean that the disclosure requirements would apply from January 2023, with the first reports in 2024, covering the financial year 2023.

According to the proposed Directive, sustainability must be included in the management report rather than the currently common practice of issuing a separate sustainability report. The report must also be digitally tagged and prepared in XHTML format per the European Single Electronic Format (ESEF).

Concerning statutory audit, the proposal introduces a general EU-wide assurance requirement for reported sustainability information for the first time. To ensure the reliability and accuracy of sustainability reporting, the European is initially proposing that companies would seek limited assurance for reported sustainability information.

Global standards and disclosures

The other significant development in 2021 was concerning global sustainability standards. In 2020, the IFRS Foundation (the Foundation) issued two separate consultations: one focused on the demand for global sustainability reporting standards and what role the Foundation might play in its development; and the other focused on amendments to its constitution that would enable the creation of an international sustainability standards board. A significant number of responses to the consultations have satisfied the Foundation that there is strong support for both initiatives.

In one of the major announcements at COP26 in November last year, the Foundation confirmed the creation of the ISSB.

The Foundation also announced it had completed the acquisition of the Value Reporting Foundation and the Climate Disclosures Standards Board (CDSB). These will merge into the new board, and the acquisitions will be completed by June 2022. It is very encouraging that the organisation is not starting from scratch and, instead, is building on the experience of these organisations, as is the fact that it will also build on standards developed by the Task Force on Climate Related Financial Disclosures (TCFD). This expertise and experience will assist in the creation of standards in a timelier manner.

The Foundation also announced the publication of two disclosures prototypes prepared by the Technical Readiness Working Group (TRWG), a working party set up by the ISSB. One prototype is climate-related, while the other focuses on general sustainability-related financial information disclosure requirements. The general requirements for disclosure of sustainability-related financial information prototype are inspired by *IAS1: Presentation of Financial Statements*. The four pillars of the TCFD's recommended disclosures are as follows:

- **Governance** – the governance processes, controls, and procedures the entity uses to monitor and manage climate-related risks and opportunities;
- **Strategy** – the climate-related risks and opportunities that could enhance, threaten, or change the entity's business model and strategy (including how it informs strategy, the impact of climate-related risks and opportunities on its financial position, performance, and cash flows, as well as on the resilience of the entity's strategy);
- **Risk management** – how climate-related risks are identified, assessed, managed, and mitigated by the entity; and
- **Metrics and targets** – the metrics and targets used to manage and monitor the entity's performance in relation to climate-related risks and opportunities over time.

AS EUROPEAN COMMISSIONER FOR FINANCIAL SERVICES, FINANCIAL STABILITY AND CAPITAL MARKETS UNION, MAIREAD MCGUINNESS, OUTLINED DURING COP26: "GLOBAL STANDARDS SHOULD BE A COMMON FLOOR, NOT A CEILING THAT LIMITS THOSE THAT WANT TO GO FURTHER AND FASTER."

The draft standard includes a requirement to disclose significant risks and opportunities of the entity, a definition of materiality to be used, a consistent approach for the disclosure of information about significant sustainability-related risks and opportunities and guidance on the provision of comparable and connected information.

The climate-related disclosures prototype sets out the requirements for identifying, measuring, and disclosing climate-related financial information. It applies the approach for the disclosures set out in the first prototype and applies to:

(a) climate-related risks the entity is exposed to, including but not restricted to:
  (i) physical risks from climate change (physical risks); and
  (ii) risks associated with the transition to a lower-carbon economy (transition risks); and
(b) climate-related opportunities available to and considered by the entity.

In common with the SASB standard, cross-industry and industry-specific metrics have also been incorporated into the prototype.

Standard-setting cooperation

The EU and international developments outlined above should expedite the realisation of unified sustainability reporting standards that are reliable, comparable and promote transparency and consistent measurement of sustainability activity.

It is critical that the EU, the ISSB and other international initiatives work together to build on and contribute to each other's developments. As European Commissioner for Financial Services, Financial Stability and Capital Markets Union, Mairead McGuinness, outlined during COP26: "Global standards should be a common floor, not a ceiling that limits those that want to go further and faster. Global processes should be flexible enough to accommodate the need for different countries and jurisdictions to go further according to their own rules and priorities. So two-way cooperation between global and regional standard-setters is critical. We need to ensure coherence between frameworks."

The CSRD and the ISSB apply to large companies. So, what does this mean for companies even if they are not legally required to adhere to the standards? There is no doubt that there is more pressure on companies to assess their current sustainability reporting – it could be they are part of a supply chain that will require them to report on their ESG activity, they need it to access funding, or because they think it is the right thing to do. Regardless, all entities should begin to think about who will be responsible for the ESG data in their organisation and the processes and procedures for capturing, collecting, and measuring that data. All entities will soon be required, whether by standards, lenders, investors, customers, suppliers or law, to report on their ESG activity to some extent.

Dee Moran is the Professional Accountancy Leader at Chartered Accountants Ireland.

Client First

BCP is working hard for the hard-earned money of its clients, says **John Calvert**, CEO at BCP Asset Management.

In an increasingly volatile market, clients' needs have to be addressed creatively and holistically, according to John Calvert, CEO at BCP Asset Management.

BCP is a private, family-owned, boutique asset management firm that specialises in creating investment solutions at the conservative end of the market.

The company, established in 1969, has been in existence for over 50 years. The majority of its products have varying levels of capital protection attaching, with capital preservation coupled with the ability to generate consistently attractive returns as its primary goal. The company currently manages over €3 billion in assets on behalf of its customers, spanning private clients, pensions, corporates, charities/religious orders, and credit unions.

"The breadth of our network of leading international banks combined with our specialist expertise, allows us to offer 'best in market' terms, as well as bespoke products, to suit the exact needs of our customers," says Calvert. "As a family-owned business, we are able to take a long-term view, particularly in terms of looking after clients and client retention. Some clients have been with us for well over 30 years, and the consistency of looking after their wealth through the inevitable investment cycles is very important. We don't have pressure from shareholders to deliver results instantaneously, and this gives us the freedom to take a long-term approach which is client first. The success of the business flows naturally from this approach."

"We issued our first structured product 30 years ago, and we are officially the market leader in Ireland in this area. These products allow people to target a certain amount of upside and to have a defined level of downside protection in order to manage their risk exposure during inevitable market cycles. Focusing on developing our expertise in these defensive products has helped build on our credentials as a conservative investment manager looking to accumulate wealth for clients. Our outperformance during periods of market stress in the past has led to step-leaps in the firm's assets under management."

Bank deposits in Ireland have grown substantially during the pandemic, and now with both Ulster Bank and KBC withdrawing from the Irish market, the options for depositors & lower risk investors are dwindling. Calvert says BCP's lower-risk products have become increasingly valued by depositors looking to escape the depreciating impact of negative deposit rates and elevated inflation in the current financial climate.

"Among our current suite of structured products are the Enhanced Equity Bond 6, a bond that combines access to enhanced global equity performance with 85% or 90% capital protection at maturity and all returns added to capital invested. Capital protection is provided by BNP Paribas, one of the strongest banks in the world. We launched a new type of defensive equity investment solution at the end of 2021 with Barclays Bank Ireland, the Target Coupon Bond. This bond is resonating with people who are becoming less bullish about the next ten years in terms of equity market performance and want more defensive protections. This bond pays investors 5% p.a. even if markets fall by up to 30%. This is a capital at risk product. Details of these products and our other products are available on our website at www.bcp.ie."

Client feedback

Calvert says that it is essential for BCP to develop products based on client feedback regarding what they are actually looking for and then build solutions around the needs of investors. "We don't go pushing a product to a particular group. We go to the market, take feedback and then design a solution to match that feedback." BCP's culture, says Calvert, is critical to the company's success.

"As I remarked earlier, our culture is "client first", and that is critical to the way we do business. If you have that culture, success flows from there for everyone. Your investments are in the best interests of the client, and that loops back to growing the business in a sustainable way and growing the funds that we

"I think we need to critically and openly assess the reasons for this consolidation and address these areas in order to have a vibrant and growing financial services sector, which is capable of delivering a great service and choice to consumers."

manage. By constructing products in a conservative fashion that can successfully navigate periods of stress, we have been able to carve out our own niche business that has enjoyed consistent long-term growth."

In the pandemic and post-pandemic era, says Calvert, an increasing number of clients will see the value of BCP's solutions, with the related risks of inflation and rising interest rates in particular driving more conservative attitudes.

"People are asking more questions, and last year we saw a significant rise in our retail client activity. With the increase in volatility in the equity markets, clients are becoming more risk-aware, and they are more inclined to protect their investments. On a personal note, I would also add that 100% of my own pension is invested across a spread of BCP investment products, while a high proportion of existing and former staff also have parts of their pensions invested in BCP products. From my perspective, this demonstrates the level of conviction we have about the quality of our investment offering and aligns key BCP personnel with investors."

Changing landscape

The changing financial landscape in Ireland and abroad also poses challenges, says Calvert.

"At a country level, the consolidation in financial services providers, in particular banks, has drastically reduced the choice for consumers. I think we need to critically and openly assess the reasons for this consolidation and address these areas in order to have a vibrant and growing financial services sector, which is capable of delivering a great service and choice to consumers."

Calvert says BCP will have an increasingly vital part to play in this journey. "We will continue to work exceptionally hard to meet the needs of conservative investors and develop innovative solutions to meet those needs."

Calvert qualified as a Chartered Accountant in 1995 and says he is particularly conscious of the demands placed on financial controllers.

"Almost all companies are suffering the impact of negative deposit rates, but at the same time, companies need to carefully manage their surplus funds. We believe our product range can help companies balance these competing forces. We are a conservative investment manager, ingrained in the community, with a 50+ year track record, and pride ourselves on delivering the highest levels of customer service in the market."

BCP Asset Management DAC, trading as BCP, is regulated by the Central Bank of Ireland.

Time up for CAPM?

Could the underperforming Capital Asset Pricing Model be replaced by a new, shinier model? **Cormac Lucey** examines the theoretical contender – the Holistic Market Model.

For decades, the Capital Asset Pricing Model (CAPM) has been the foundation stone of modern financial theory. Its cost of capital formula is routinely used to estimate the corporate cost of capital. And that, in turn, is used to value companies. It lies at the base of the architecture of asset allocation models and "efficient frontiers" that dominate investing today. The trouble is that the CAPM doesn't work very well. Actual returns bear only a limited relationship to the CAPM's predicted returns.

The CAPM is a bit like a banger of a car that is still driven by an impecunious student. They don't drive the car because it's any good – they drive it because it's the only car they've got. Modern finance sticks to the CAPM even though it isn't very good for the simple reason that it has nothing better to put in its place. But that may be about to change.

Jacques Cesar of the consultancy Oliver Wyman has spent the last five years working out an alternative to the CAPM. He and his firm have introduced the Holistic Market Model (HMM), which they describe as a radically inclusive blend of finance, accounting, analytics, economics, history, and sociology that explains the stock market's past performance and frames the future. The HMM involves rejigging several key finance variables.

Earnings

The HMM moves EPS (earnings per share) from GAAP to what are called "Buffett earnings". This refers to the surplus that can be distributed to shareholders once all reinvestments needed to keep the business going have been made. When Cesar applies a cyclical price-earnings multiple to the revised earnings numbers, the market is revealed not to have been as extremely cheap as it appeared in the 1970s and 1980s, and not as expensive as it appears now.

Discount rate

Cesar comes up with a Really Truly Risk-Free Rate (RTRR), which is the current risk-free rate converted into real terms by subtracting inflation expectations. It also removes what Cesar calls a "Treasury Risk Premium", which reflects changes in the incentives to buy bonds.

Equity risk premium

Cesar reckons we can account for almost all differences in the equity risk premium (and therefore all variation in the valuation put on stocks relative to bonds) using five factors: first, business cycle and sub-cyclical variations in economic and financial risk – a quantitative risk-aversion indicator shows where market crashes will happen; second, inflation falling outside the 'Goldilocks' zone – extremes of inflation and deflation cause problems for equities; third, intergenerational increases in risk aversion driven by long secular bear markets (like the one from 1929–1942); fourth, "imperfect risk arbitrage between equities and Treasury bonds" – the equity risk premium tends to be even higher than it should be when the RTRR is extremely low, like it is today; and fifth, a factor that explains periods of speculative excess.

Supply and demand for equities

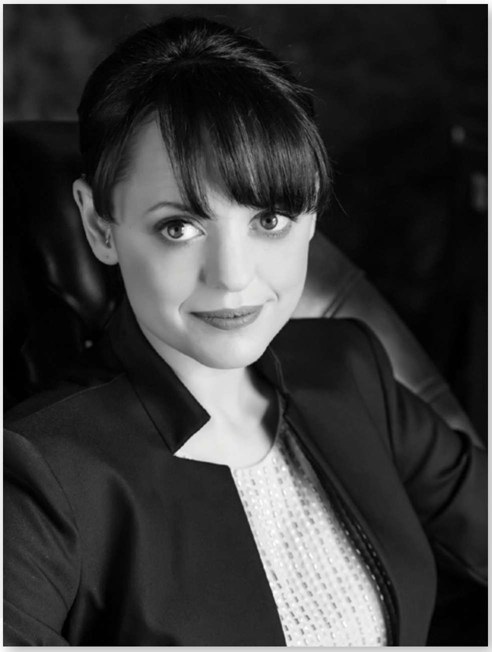
Recent decades have seen ageing populations and increased inequality in the developed world, both of which have sustained increased demand for equities. Model the moves in supply and demand for equities successfully, and you can capture an important influence on share prices. Oliver Wyman is now publishing a series of detailed research papers explaining and validating its analysis. Key questions that the model poses for the next decade are: whether the four-decade decline in the RTRR will be reversed; whether inflation will remain in the Goldilocks zone; and whether a change in the regulatory regime will put pressure on corporate profit margins.

Maybe the world of finance is about to get a theoretical car it likes driving, as opposed to one it has to drive for lack of a better alternative.

Cormac Lucey FCA is an economic commentator and lecturer at Chartered Accountants Ireland.

What's the goal for 2022?

After two years of lockdowns, restrictions and anxiety, Ireland is opening up. Three members explore how their goals have changed – both personal and professional – in 2022.



Jennifer Nickerson

Owner
Tipperary Boutique Distillery Limited

MY MAIN CHALLENGE THIS YEAR IS BOTH PERSONAL AND PROFESSIONAL. I WILL BE COMING BACK INTO THE BUSINESS FROM MATERNITY LEAVE WITH FRESH IDEAS AND WILL NEED TO FIGURE OUT HOW TO MAKE THESE WORK WITH A SMALL CHILD IN TOW.

In 2021, our goals were focused on survival. We had been hit hard by COVID-19 and were trying to keep our heads down to make sure that we would make it through the year. Everything was about existence.

Our focus has definitely changed in 2022. We are thinking about growth and opportunities; the conversation is about breathing life into new ideas and developing critical markets. We have some fantastic product ideas and interesting distillation projects, but I think the most interesting and novel opportunity will be tourism in 2022. Our distillery has been operating for over a year now but hasn't been open for tours. I think the opportunity to welcome visitors will allow people to understand our distillery and allow us to tell our story naturally. We are an entirely authentic business, a true field-to-bottle distillery, and people will be able to experience this for themselves when they visit us.

My main challenge this year is both personal and professional. I will be coming back into the business from maternity leave with fresh ideas and will need to figure out how to make these work with a small child in tow.

I poured my life into Tipperary Distillery for six years and barely took a day off – I took a laptop on every holiday and even worked on our honeymoon. We have been lucky to get a good crèche space for our little boy, but I'll need to work smarter this year to make everything happen for our business and still be present for our baby when he needs me. In some ways, COVID-19 has helped in this regard, setting the stage for more online meetings and showing how much we can achieve remotely, but I still see this being the main challenge as we try to find a new normal.

I'm feeling hugely optimistic about the year ahead. There are so many opportunities as life begins again in 2022, and while some challenges will crop up as we emerge back out into the post-COVID world, for us, they bring infinite possibilities.

OVERALL, WHEN REFLECTING ON THE PAST TWO YEARS, THE MOST SIGNIFICANT BENEFIT OF THE DISRUPTION HAS BEEN THE OPPORTUNITY TO BE MUCH CLOSER TO THOSE THAT MATTER AT HOME. I HAVE SPENT TWO YEARS AT HOME ON TIME FOR DINNER WITH MY KIDS, AND MY TRAVEL AND COMMUTING TIME HAS BEEN VIRTUALLY ZERO.

Mark Lawther

Assurance Director

EY

I think it's safe to say that we all hoped 2021 would be the year that we managed to emerge from the pandemic. While things didn't work out that way, I feel a real sense of optimism as 2022 gets underway.

While challenging, the great 'work from home' experiment has genuinely proved just how effective we can be when working remotely. Before COVID-19, I wouldn't have considered the possibility of delivering complex global audits in an entirely remote way! But by using cutting-edge digital technology and integrating that into our audit processes, we were able to continue to provide high-quality audits, enhance the way we look at risk and offer unrivalled insights to our client throughout the process.

We haven't just adapted our working approach with clients, we've also had to modify how we work internally. We have a fantastic culture of collaboration at EY, and of course, we are a training firm, so a lot is learned by observation. Having fewer days in the audit rooms meant our newer staff had fewer opportunities to learn by osmosis from senior colleagues, so we were mindful that we had to find creative ways to continue to nurture junior talent. Leveraging the latest tech, we were able to find plenty of opportunities for people to learn from each other while tapping into our extended networks to help people make valuable contacts.

My hope for 2022 is to fully embrace hybrid working and give our newer team members greater access to the 'on the job' learning that I was lucky to benefit from in my early career.

Overall, when reflecting on the past two years, the most significant benefit of the disruption has been the opportunity to be much closer to those that matter at home. I have spent two years at home on time for dinner with my kids, and my travel and commuting time has been virtually zero. As we move into 2022 and adopt a new hybrid approach to work, I plan to keep these benefits going a few days a week.

Isabelle Cairns

Tax Manager
James Hardie International Finance DAC

2021 brought with it a new role in a new organisation, and although it's been a year, we haven't yet been working in the office at full-team capacity. Mastering the balance of the hybrid work model and building strong team connections are worthy challenges that lie ahead for businesses and their employees.

The most significant change from last year is the specificity of my goals. What was previously pencilled in for 'one day' has now been given an actual timeframe. A positive taking from the pandemic was having time and space to reflect on what matters, which, in turn, helps decision making going forward.

WORKING IN TAX IN A GROWING GLOBAL BUSINESS, COMBINED WITH THE EVER-CHANGING INTERNATIONAL TAX LANDSCAPE, CERTAINLY KEEPS ONE ON THEIR TOES! RIGHT NOW, NAVIGATING INTERNATIONAL TAX REFORM AND ITS ASSOCIATED IMPLICATIONS ACROSS BUSINESS OPERATING JURISDICTIONS IS A KEY FOCUS AREA.

Working in tax in a growing global business, combined with the ever-changing international tax landscape, certainly keeps one on their toes! Right now, navigating international tax reform and its associated implications across business operating jurisdictions is a key focus.

While some things are out of our control, it's great to get back into planning for life beyond lockdown. Now that international travel is on the cards, adventuring to far-flung destinations is something I look forward to. Climbing Mount Kilimanjaro, a long-term resident on my bucket list, is a more realistic prospect this year.

In 2022, I look forward to in-person meetings and other opportunities to connect face-to-face with colleagues.

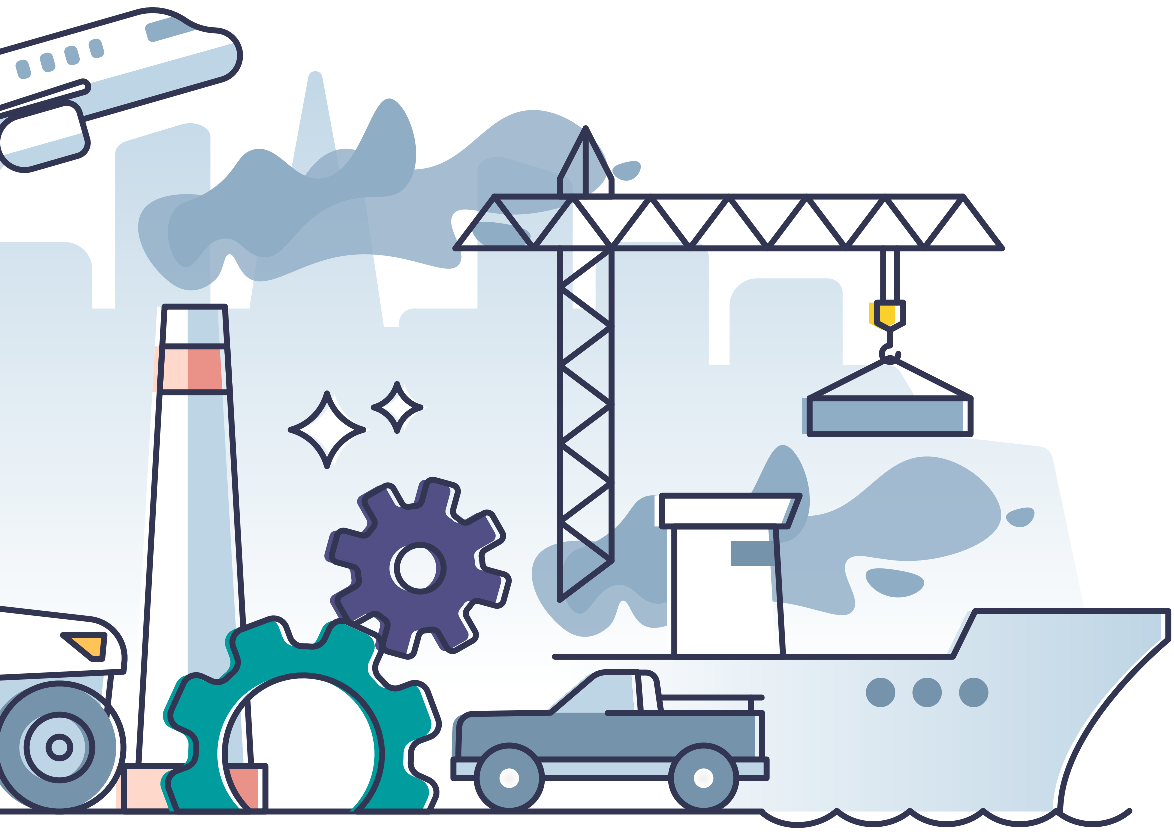
Personally, I hope to get my foot on the property ladder. Aside from, I have signed up to cycle the Ring of Beara with a group of friends. Two very different challenges, both of which I look forward to with a degree of apprehension.

The Greenhouse Gas Protocol: from theory to practice

Using the Greenhouse Gas Protocol as a basis, **Linda McWeeney** and **Mary Jane Webberley** explain how businesses can report on their direct and indirect emissions.

Climate change remains a catastrophic risk. The Paris Agreement aims to limit global warming to 1.5 degrees Celsius, and businesses can contribute by setting ambitious emission reduction targets in line with climate science. To set science-based targets, companies must complete an inventory of the major greenhouse gases (GHGs) they emit. The world's most widely used GHG accounting standard is the GHG Protocol, which identifies and categorises the emissions from all operations that comprise an organisation.

Emissions are categorised as 'direct' and 'indirect', and by scope. Direct emissions are emissions from sources that are owned and controlled by the reporting company. Examples include transport fuels, heating fuels, and fugitive gases or GHG emissions associated with particular manufacturing processes. These emissions are classified as Scope 1.



Indirect emissions, meanwhile, are a consequence of the activities of the reporting company but occur at sources owned or controlled by another company. These include Scope 2 and Scope 3 emissions.

Measuring Scope 2 emissions

Scope 2 includes emissions associated with the purchase of electricity, heat, steam, and cooling. Companies can identify these energy uses through utility bills or metered energy consumption at facilities within the inventory boundary. Two approaches are used to calculate Scope 2 emissions: location-based and market-based. The location-based approach emphasises the connection between consumer demand for electricity and the emissions resulting from local electricity production. Within a particular geographic boundary and over a specified time period, electricity output is aggregated and averaged.

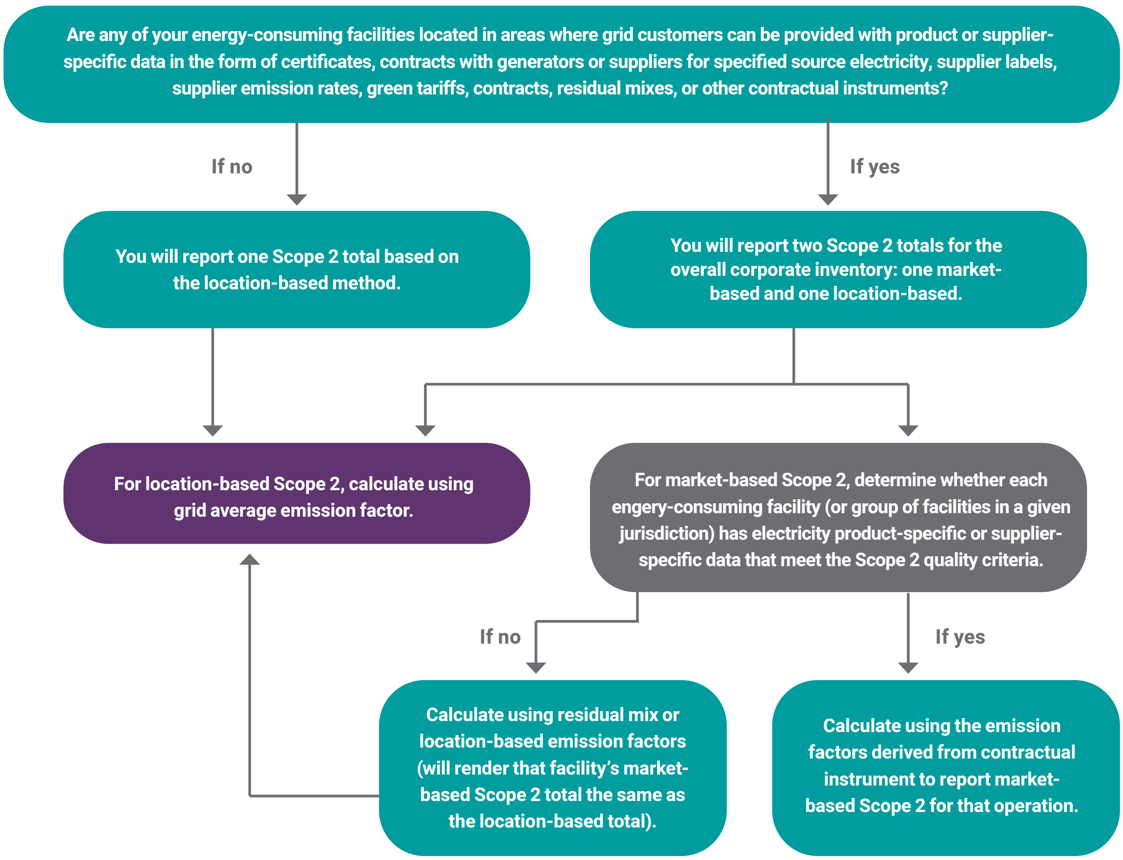
The market-based approach takes into account the contractual agreement between the customer and the supplier. Consumer demand for specific energy types and their associated features might encourage the construction of particular types of power plant. Metered electricity consumption or utility bills specifying consumption in MWh or kWh units may provide the most precise activity data. However, it is also important to understand your organisation's sources of electricity as companies may set targets for the procurement of renewable electricity, for example.

The accounting and reporting of indirect emissions by companies over time recognises positive activities that, in aggregate, will alter global emissions and help maintain climate levels. Choosing an energy-efficient building, conducting energy-efficient retrofits, utilising more energy-efficient equipment or lighting, and adopting behavioural changes are examples of how a corporation might reduce energy demand and emissions. Changing the resource mix of a grid in a significant way over time usually requires aggregate consumer decisions or a high-scale business consumer that accounts for a large portion of a utility's load. To calculate Scope 2 emissions according to one or both methods, the following procedure applies:

1. Multiply activity data in kWh from each operation by the relevant emission factor (in tCO_2e/kWh). When using the location-based approach, the emissions factor

FIGURE 1: Business uptake of science-based targets

FIGURE 2: Determining which accounting methods to use for Scope 2



will be the grid average for that region or county (this is usually available from the utility regulator). When using the market-based approach, the actual emission factor should be available from the supplier or the regulator. If the organisation is purchasing 100% renewable electricity, then the emissions factor will be 0 tCO_2e and the GHG emissions will also be zero. If the supplier cannot provide an emissions factor, then the country's residual mix emission factor is used. This is published annually by the International Energy Authority (IEA) and is available for purchase for that activity for each applicable GHG. An emission factor converts activity data into GHG emissions data (for example, CO_2 emitted per kilogram of material produced). Life-cycle emissions factors are used for Scope 3, and combustion emission factors are used for Scopes 1 and 2. Some electricity emission factor sets may include emission rates for CO_2, CH_4, and N_2O while others may only provide CO_2 emission rates.

2. Report Scope 2 emission for both location-based and market-based approaches in metric tons of CO_2e.

Measuring Scope 3 emissions

Scope 3 emissions include entire value chain emissions. The majority of total corporate emissions fall under this scope, from goods purchased to the disposal of sold products. While Scope 1 and 2 are within the control of the company, Scope 3 emissions raise business development and strategy questions about the company's products and services.

There are 15 distinct reporting categories in Scope 3. These include:

- Purchased goods and services;
- Capital goods, fuel and energy-related activities not included in the other two scopes;
- Transportation and distribution of products purchased by the reporting entity from the supplier;
- Waste generation in operations;
- Business travel and employee commuting (not in owned vehicles by the reporting entity);
- Leased assets by the company and from the company;
- Transportation and distribution of products from the reporting entity to the consumer;
- Processing of products sold by manufacturers;
- Disposal and treatment of end-of-life products; and
- Operation of franchises and investments.

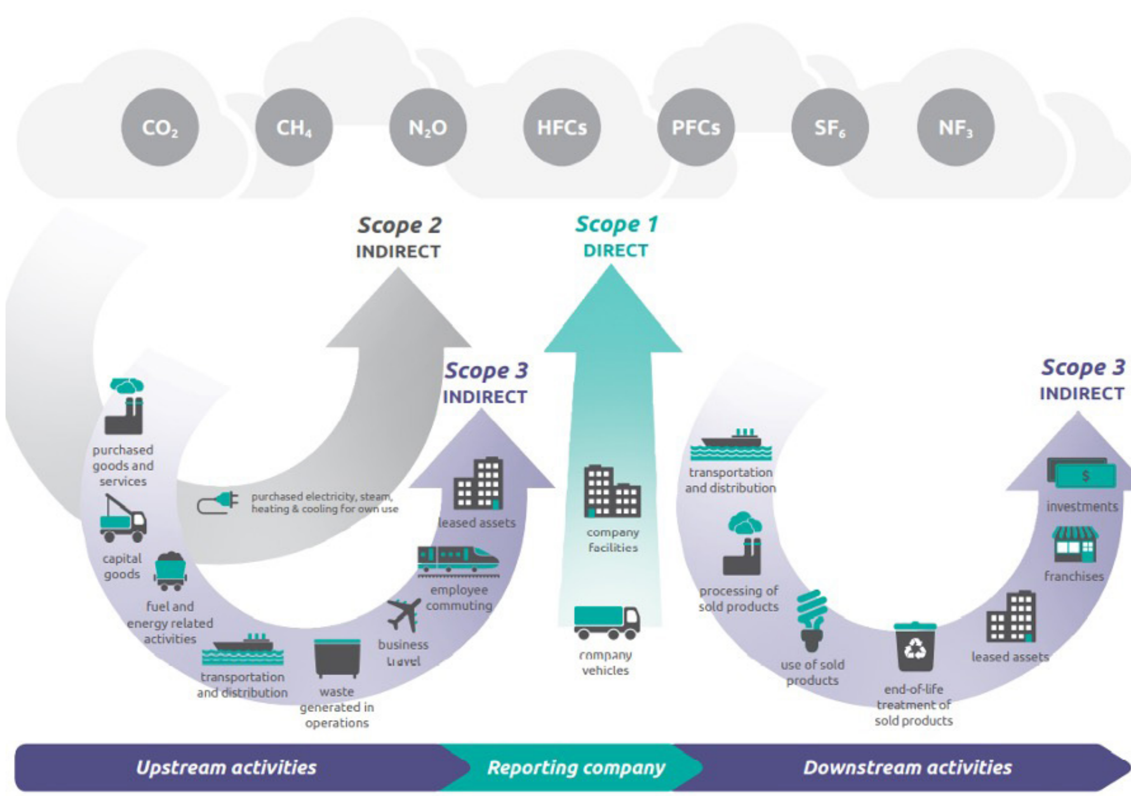
Within each of these categories, there may be many activities (such as air and road travel, for example).

FIGURE 3: The business benefits of science-based targets

Influence and prepare for shifts in public policy	Build business resilience and increase competitiveness
• Selling and meeting science-based targets can reduce a company's exposure to more stringent emissions and energy regulations. • Adapt to changing policies and send a stronger signal to policymakers, allowing companies to better influence policy decisions. • Positioned to out-compete competitors when climate change regulations become more stringent in future. • Better positioned to respond to future regulatory adjustments as governments ramp up their climate action.	• Methods to set science-based targets challenge business to re-align with the low-carbon economy, capitalising on a range of opportunities beyond cost-savings and avoiding the risk of stranded assets. • Reducing emissions in operations and value chain: increase resilience and competitiveness in a low-carbon economy; and save money on energy costs from manufacturing and logistics operations (and hedge against fossil fuel prices).
Drive innovation and transform business practices	**Build credibility and reputation with employees, customers, investors and other stakeholders**
• As science-based targets include a long-term vision, companies can think beyond the near-term, common solutions for GHG emissions reductions. • New technologies and financing options can be developed in a corporate environment that prioritises preparing for a low-carbon economy. • Redefine a company's bottom line by creating new products, new ways to source materials, new ways to interact with customers, and new ways to grow markets.	• Science-based targets have higher credibility with stakeholders. Companies often choose lower-risk options for long-term investment. • More investors are recognising the materiality and risk of climate change for many sectors. • More employees take a company's social and environmental commitments into consideration when making employment decisions. • Consumers seeking products that are socially/ environmentally responsible where possible and would switch brands to support a good cause.

Source: Introduction to SBTi Target Setting Tool

FIGURE 4: An overview of Greenhouse Gas Protocol scopes and emissions across the value chain



Source: Figure 1.1 of *Scope 3 Standard.*

CRITERIA FOR IDENTIFYING RELEVANT SCOPE 3 ACTIVITIES

Activity data is a quantitative measure of the level of activity that results in GHG emissions (for example, kilograms of material purchased).

Environmentally-extended input/output (EEIO) models are available, and are derived by allocating national GHG emissions to groups of finished products based on economic flows between industry sectors. The output of EEIO models is typically a quantity of GHGs emitted per unit of revenue in a particular industry sector (e.g. emits 1,520 tonnes CO_2e per $1 million revenue meaning that, on average, 1,520 tonnes of CO2e are emitted during all upstream supply chain activities associated with generating $1 million revenue from that sector). If insufficient data is available, companies may choose to use proxy data (data from a similar activity) or sampling techniques to gather information. Data quality should improve and become more accurate over time as companies continue to review the quality.

Several cross-sector and sector-specific calculation tools are available on the GHG Protocol website, www.ghgprotocol.org. The website also provides step-by-step guidance and electronic worksheets to help companies calculate GHG emissions from specific sources or sectors.

Scope 3 emissions are frequently left unreported. However, these emissions account for, in general, more than 80% of a company's total value chain emissions in most industries. The lack of direct control and the difficulty in gathering high-quality data can create barriers to reducing these emissions, so shared accountability is important. In purchasing a product, we create a demand for it and bear some responsibility for the process of creating that product. Using the power of consumer choice, customers can influence how the product is made so that manufacturers are incentivised to reduce their Scope 1 and 2 emissions (i.e. my Scope 3 emissions). There are advantages in choosing to report on Scope 3:

1. It aids in identifying the material emission hotspots across your value chain, and thus seeing where the biggest opportunities are to make substantial reductions in emissions;
2. Supply chain accountability could lead to incentives to collaborate to achieve reductions in a shared value chain; and
3. It supports complete and effective reporting and disclosure of emissions. Communicate to consumers, investors, and employees where you are focusing your efforts.

In short, companies need to start reporting and making changes now.

Criteria	Description of activities
Size	They contribute significantly to the company's total anticipated Scope 3 emissions.
Influence	There are potential emissions reductions that could be undertaken or influenced by the company.
Risk	They contribute to the company's risk exposure (e.g. climate change-related risks such as financial, regulatory, supply chain, product and technology, compliance/litigation, and reputational risks).
Stakeholders	They are deemed critical by key stakeholders (e.g. customers, suppliers, investors, or civil society).
Outsourcing	They are outsourced activities previously performed in-house or activities outsourced by the reporting company that are typically performed in-house by other companies in the reporting company's sector.
Sector guidance	They have been identified as significant by sector-specific guidance.
Spending or revenue analysis	They are areas that require a high level of spending or generate a high level of revenue (and are sometimes correlated with high GHG emissions).
Other	They meet any additional criteria developed by the company or industry sector.

Source: Adapted from Table 6.1 from the Scope 3 Standard.

There is no standard approach. It can therefore be a complex and time-consuming task to determine which categories relate to your company. The Scope 3 standard recommends that companies identify which Scope 3 activities are expected to have the most significant GHG emissions, offer the most significant GHG reduction opportunities, and are most relevant to the company's business goals. Companies should focus on material activities, and begin by establishing the level of GHG emissions in each of the 15 categories using less specific data. Each category can then be analysed to see if its emission estimates need to be refined further.

Calculation methods for each Scope 3 activity within a particular category are based on the relative size of the emissions from the Scope 3 activity, the company's business goals, and data availability and quality. The cost, effort, and users of this information for decision-making purposes must also be taken into account.

Linda McWeeney FCA and Mary Jane Webberley FCA are Lecturers in Accounting and Finance at TU Dublin.

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CHARTERED ACCOUNTANTS IRELAND GOLF

What Germany's new government means for Europe

Europe's foreign and security policy is in bad shape. All eyes are focused on Germany's new coalition to see how it will deal with the big strategic issues that will affect every EU member state, writes **Judy Dempsey**.

What happens in Germany matters. As the European Union's biggest economy and country, Berlin was pivotal during the global financial crisis, the euro crisis, the Russian crisis, and the migration crisis. Some member states viewed Berlin's role as hegemonic. Others viewed it as a leadership necessary to keep the EU together – especially since other EU leaders were so weak.

Angela Merkel, the former Chancellor who spearheaded these policies, was also a great supporter of the Good Friday Agreement and the Northern Ireland Protocol. Her outlook was based on her philosophy of strategic patience, especially for the big economic and security issues. She rarely let the big dossiers – Russia, China, transatlantic relations, and Ireland – leave her desk. They were the remit of the Chancellery, not the foreign ministry. She had an insatiable appetite for detail and juggled Germany's interests, which were crucial to the country's export-driven economy, with the values upon which the EU and democracies are built and what she herself believed in.

Olaf Scholz, her successor – who was her finance minister – will make a big effort to retain these dossiers, but it is not a given. Annalena Baerbock, the Green Party foreign minister, is determined to put values at the core of her foreign policy. Baerbock is not naïve enough to believe that any country can discard interests, but with German public opinion on her side – especially a younger generation acutely sensitive to human rights, climate change, values, and more European integration – Baerbock can exert influence.

Take China, for example. The Greens know that Germany's economic interests and trade relationship – and indeed Europe's – with Beijing are huge. China has overtaken the United States as the EU's largest import source for goods. All the more reason to use that clout. Yes, China can retaliate by threatening embargoes if the Berlin government increases its criticism of China's human rights record, its ineluctable shift towards authoritarian rule, and its untransparent procurement procedures and weak intellectual property rights. But would Beijing go down that path?

Germany is too big inside the EU, and its relationship with the United States is too important for Beijing to threaten Berlin. It picked on Lithuania, which for a small country has taken an admirably tough stance on China's human rights records and has opened a Taiwan office. Beijing sent its wolf warrior diplomats into overdrive, but China's crude tactics are backfiring in many EU member states. That is why the German coalition must defend its values. The more united the EU is, with support from the United States, the better.

As for Russia, Germany has a deep, ambiguous and historical relationship with Russia. Angela Merkel went out of her way to stop, or at least contain, the conflict in eastern Ukraine. However, the Minsk Accords and the Normandy Format talks she brokered with France, Ukraine, and Russia are unravelling. In retrospect, it was a mistake that Merkel did not include the United States or the EU.

Meanwhile, Russia is using its gas as a geo-security weapon and its military build-up against Eastern Ukraine in much the same way as Belarus's discredited leader, Alexander Lukashenko, is using migrants to divide the EU. It's all about testing Europe.

In short, with this new German government ensconced, the EU must finally act strategically in a way that can combine values with interests. Europe as a bloc has the economic power to do just that. Putting interests first is doing the EU – and its credibility – a disservice.

Judy Dempsey is a Non-Resident Senior Fellow at Carnegie Europe and Editor-in-Chief of Strategic Europe.

Six ways to get promoted

Despite the apparent dominance of 'The Great Resignation', a promotion could well be the right career goal for you in 2022. **Niamh O'Keeffe** shares her six steps to landing a promotion in the year ahead.

Are you stuck in a career rut? Are former peers progressing ahead of you? Do you feel like you are doing all the hard work and getting none of the rewards? You may think you have no power over any decision to promote you and that you are simply at the mercy of your boss and your employers' whims in this regard.

I have some exciting news for you: you hold most – if not all – of the cards in terms of shaping your future. There are many proactive strategies you can exploit to build your reputation, re-platform your skills and credibility, get noticed, and get promoted.

Consider the following six key moves you can make in your 2022 game plan to secure that much-sought-after role promotion this year.

1 Clarify

Before investing the time and effort required to get promoted, take a moment to step back and look at the bigger picture. Why do you want to get promoted? Are you happy with the career path you are on? How would your next promotion fit into your long-term career goals? Try to understand what is motivating you – is it intrinsic or extrinsic desires? Extrinsic motivations are quite transitory and arise from external influences like seeking higher pay and rewards, a brand or status boost, and impressing other people. Intrinsic motivations are internal drivers that touch deeper chords within you, such as your core values and what is truly at stake for you in the pursuit of meaning and what matters to you.

They are not mutually exclusive – and ideally, you want to find meaningfulness and a pay rise! However, extrinsic motivations, while very powerful, cannot by themselves lead to long-term internal satisfaction for most people. So, take a moment to take stock and check if you are pursuing the right career path and promotion that will ultimately satisfy you, your values, and your sense of purpose in life.

If getting the next promotion right in front of you is just going to get you further along a treadmill that already makes you unhappy, is it time to rethink what you want from your career and refocus your next move? With more clarity on your long-term direction and what would make you feel fulfilled, you can now focus your time and attention investment on the best promotion role and opportunity for you.

IF YOU JUST SIT THERE QUIETLY DOING YOUR WORK, THINKING YOUR BOSS WILL SIMPLY NOTICE YOUR HARD WORK AND THAT THE RIGHT REWARDS WILL INEVITABLY FOLLOW, YOU ARE JUST BEING NAÏVE. YOU WILL LIKELY END UP IN A VERY NEGATIVE SPIRAL OF DISAPPOINTMENT, BITTERNESS, AND REGRET (IF NOT THERE ALREADY).

2 Commit

Be prepared to carve out some time and energy for the effort of getting promoted. See it as a separate project to your day job. You need to continue to work on your day job, and in parallel, you need to set up and run your 'get promoted' project. To fully commit to the 'get promoted' task, you will need to move out of your comfort zone, stop waiting, and start creating opportunities for yourself. For example, in my experience, the number one reason why a person does not get promoted is that they don't ask for the promotion.

The adage of 'You don't ask, you don't get' certainly applies to promotions. You need to be your own best PR agent. If you just sit there quietly doing your work, thinking your boss will simply notice your hard work and that the right rewards will inevitably follow, you are just being naïve. You will likely end up in a very negative spiral of disappointment, bitterness, and regret (if not there already). The simplistic approach of 'I will just do my work, and the rewards will follow' might work at junior levels where many promotion

slots are more mathematically available. As soon as you start to ascend the pyramid structure of the organisation, however, there are fewer available vacancies. It then becomes essential to become more proactive in asking for your promotion and working out a strategy for why it's as much a win for your boss as it is for you to get promoted ahead of your peers.

You probably need to speak up more at team and company meetings, offer more opinions, get more involved in cross-industry and cross-company initiatives. You need to build relationships with more senior people. You probably need to learn more, grow more, and continue to evolve your attitude and approach. Wishing for the promotion you desire and committing to securing it are two very different mindsets.

3 Confidence

You say you want the promotion, and you may indeed really want the promotion, but are you truly confident that you can step up to the challenge and do the role at the next level up? Confidence is viral, and belief in your abilities and potential is critical if you want others to believe in you too. Stakeholders and decision-makers need to feel confident that if they place a promotion investment bet in you, that you will be able to deliver on it. Of course, they can look at the evidence of your track record and your qualifications and experience, but in the end, it is always a leap of faith to promote someone and assume that they have not yet reached the limit of their potential.

The market is constantly changing, the customer is becoming ever more sophisticated, the competition more cut-throat. Whatever the dynamics of your set-up, you will not have done this exact same role in this exact same economy or environment before, so there is always a question mark over whether it will work out. For reassurance, decision-makers will often take their lead from your level of confidence in yourself. If you believe you can take on the next challenge, others are more likely to back you.

Appreciate what you have achieved to date. Make a list of your accomplishments because only you know what it has taken for you to get here in your career. Take a moment to connect with who you are and where you have come from. And take confidence from your previous experience, learnings, and pattern of success. Have faith in yourself.

4 Credibility

You can give yourself an edge over the competition for the next promotion by already starting to work at the next level up – proving you are capable of the promotion. This makes you a lower-risk option than your peers, who are keeping their heads down in their current role and level. Becoming a credible candidate for promotion means you already need to be acting at a more senior level of capability, professionalism, and reliability.

Before corporate dress codes became casual, the adage of 'dress for success' was about dressing as if you were already promoted. Now it is less about what you wear, but the kernel of the idea is still the same – which is to present yourself in terms of impact as if you are already a more senior person. Ideally, you want the promotion to feel like a de facto admin stamp to merely confirm that you have already stepped up. In other words, the promotion lags the performance. For example, suppose the next promotion is about managing a team of people and you have already taken the initiative to manage a group of peers in a cross-functional company initiative. In that case, the evidence points to relevant skills already formed.

To gain this edge, follow these steps:

- Show a willingness to take on extra responsibilities;
- Show maturity when dealing with role setbacks and challenges;
- Respond constructively to performance feedback;
- Be proactive, take the initiative – don't always wait to be told what to do;
- Demonstrate an ongoing drive to improve your skills and personal development; and
- Build up a strong reputation with your peers, bosses, and customers for being reliable and having a strong work ethic.

Top tip: in the end, promotions always eventually lead to a bigger management or leadership role. So, whatever your current level, invest now in developing your leadership and people management skills for the future.

5 Campaign

Develop a groundswell of support around you for the promotion. Your boss may not be the sole decision-maker. In fact, they may have nothing to do with the decision on your promotion. It may be your boss's boss who makes the promotion decision. If you have never met that person and have no relationship with them, you are disadvantaged versus a peer who may have already established the right connections.

Identify the various influencers and promotion decision-makers and consider how you might get to know and impress them. A great 'get promoted' campaign incorporates an understanding of corporate politics and culture. We all like to believe that we work in a meritocracy and that promotion decisions are based entirely on performance. Unfortunately, this is not always the case – especially the more senior you become. The best person does not always get the job. Who does or doesn't get promoted will be affected by myriad factors, including the strength of relationships, a history of power pacts, and a currency of favours – unwritten rules will likely prevail.

Ignore the politics of promotion at your peril. The sooner you understand the politics at play when it comes to your promotion, the smarter you can be about how to campaign with the key decision-makers.

6 Close the deal

In an ideal scenario, the promotion you are offered is precisely what you wanted in terms of role title and description, pay and rewards, and start date. However, this does not always play out. The promotion you are offered may not be the exact size and shape you sought. So be ready to negotiate before signing up for anything. There may be wiggle room such as formalising a better title, negotiating a higher salary and better bonus terms, and the number of days working from home.

Part of closing the deal may require you to turn down the promotion offer if it really cannot meet your terms. Perhaps you need to be patient and reset your focus on another opportunity, even if that means leaving your current company.

IGNORE THE POLITICS OF PROMOTION AT YOUR PERIL. THE SOONER YOU UNDERSTAND THE POLITICS AT PLAY, THE SMARTER YOU CAN BE ABOUT HOW TO CAMPAIGN WITH THE KEY DECISION-MAKERS.

Always remember that a promotion without a pay increase is not actually a promotion!

Should I stay, or should I go?

Sometimes, it might feel easier and quicker to get that promotion by resigning and joining another company. Just be careful that you are not trading down on company brands too quickly in your career, as it is harder to get back into a big brand from a lesser brand. And, of course, wherever you go, there you are! Should you stay and figure out the skills of how to get promoted in a familiar environment, rather than leave just for a promotion and be immediately more disadvantaged by a whole new set of unfamiliar stakeholders and company politics? That, my friend, is up to you. Sometimes a move to another company is the only solution, and a fresh start will invigorate your motivation levels and your career. Whatever you decide, I wish you every success on your 'get promoted' journey.

Niamh O'Keeffe is the author of *'Get Promoted'*, part of the Penguin Business Experts book series. Niamh also advises corporate CEOs and senior leaders in London and New York.

Regulation

ADMISSIONS INTO PRACTICE

NAME	STATUS	LOCATION
Paul McGirr	ACA	England
David Kehoe	FCA	Dublin 4
Ken Phillips	FCA	Dublin 16
Conor Corvan	ACA	Co Armagh
Eimear Brown	FCA	Co Antrim
Niamh O'Connor	FCA	Co Meath
Kevin Gleeson	ACA	Co Cork
Cian Liddy	ACA	Dublin 5
Sean Sheridan	ACA	Co Dublin
Stephen King	FCA	Co Kildare
Peter Allen	ACA	Co Antrim
Luke Charleton	ACA	Dublin 6
Yvonne Kelleher	ACA	Co Cork
Marie Howley	FCA	Co Tipperary
Blaithin O'Neill	ACA	Co Kildare
Christopher Rogers	FCA	Co Louth
Gavin Fitzpatrick	FCA	Co Dublin
Frankie Cronin	FCA	Dublin 6W
Louise Barry	FCA	Dublin 15
Simon Carbery	ACA	Co Dublin

CESSATIONS FROM PRACTICE

NAME	STATUS	LOCATION
Peter Blair	FCA	Co Limerick
Liam McQuaid	FCA	Co Dublin
Eadaoin Clancy	ACA	Co Kerry
Seamus O'Kelly	FCA	Dublin 6
David Pierce	FCA	England
Brian Hennebry	FCA	Co Waterford
Alison Gray	FCA	Dublin 24
David Drury	FCA	Dublin 3
Peter Leonard	FCA	Dublin 13
Niall McNamara	FCA	Co Tipperary
Anne Fitzpatrick	FCA	Co Antrim
John Kavanagh	FCA	Co Kildare
Eoghan Corish	ACA	Dublin 14
Mairead Sweeney	FCA	Co Kildare
Elaine Heaney	FCA	Co Mayo
Kieran Coleman	FCA	London
Michael Corrigan	FCA	Co Tipperary
David Carson	FCA	Dublin 13
Noel Ryan	FCA	Co Kilkenny
Kate Crowley	FCA	Dublin 6
Sarah Brennan	ACA	France
Kevin McGivern	FCA	Co Down
Geoffrey Lewis	FCA	Dublin 2

CONSENT ORDERS

A finding has been made in accordance with the Disciplinary Bye-Laws and Regulations of the Institute of Chartered Accountants Ireland (the "Institute" or "Chartered Accountants") against Mr Gareth Booth in the following terms:

On 22 September 2020, Mr Gareth Booth, with an address in Co Derry/Londonderry, was convicted of an indictable offence. By virtue of this conviction, the member has acted in breach of the Institute's Code of Ethics for Members Fundamental Principles (a) Integrity and (e) Professional Behaviour, is guilty of Misconduct, and is accordingly liable to disciplinary action pursuant to 8.1.1 of the Institute's Disciplinary Bye-Laws (2016) .

The Conduct Committee orders that Mr Gareth Booth be excluded from membership of Chartered Accountants Ireland.

DISCIPLINARY TRIBUNALS

DISCIPLINARY TRIBUNAL REGARDING ALLEGATION AGAINST A MEMBER FIRM

That a member firm of the Institute, with an address in Co. Limerick did act in breach of the Code of Ethics for Members (2014-2016): Fundamental Principle: (e) Professional Behaviour by failing to provide information requested by a director of a client company in a timely manner; or in the alternative ensure the director was informed of the delay or difficulty in providing same.

The Disciplinary Tribunal found the member firm's actions amount to Poor Professional Conduct.

The Disciplinary Tribunal found the Formal Allegation proven and made an Order as to Sanction that the member firm be subject to a reprimand, a fine of €500 and costs in the amount of €1,200.

This order took effect from 4 November 2021.

REGULATORY PENALTIES

In accordance with the Institute's Publication Policy (effective from 7 January 2021), regulatory penalties must be published in Accountancy Ireland and on the Register of Regulatory Findings and Orders on the Professional Standards section of the Institute's website.

At a recent meeting, the Quality Assurance Committee offered the following regulatory penalty which has been accepted by the firm:

Regulatory penalty	Reason for regulatory action
€2,000	A firm failed to respond, on a timely basis, to requests for information from Professional Standards (breach of Audit Regulation 2.08).

RESTRICTIONS ON AUDIT REGISTRATION

In accordance with the Institute's Publication Policy (effective from 7 January 2021), orders for the imposition of restrictions on a firm's audit registration are to be published and will include the nature of the restriction imposed.

At a recent meeting, the Quality Assurance Committee imposed the following restrictions on audit registration:

Nature of restriction	No. of firms
Firms not permitted to carry out audit related compliance reviews/file reviews for other firms.	4
Firms required to obtain external hot file reviews, submit a report to the Committee and seek permission to sign an auditor's report.	3
Firms not permitted to accept any new audit appointments without the permission of the Committee	2

The Quality Assurance Committee exercised its discretion in accordance with the Principles Governing the Timing and Manner of Disclosure of Penalties and Sanctions not to publish the identity of the firms.

The Quality Assurance Committee directed that the information to be published could be aggregated for a number of firms subject to the same restriction.

Membership updates

Admissions

Abraham, Esma
Boespflug, Kamilia
Brady, Jane
Brennan, Holly
Brophy, Denis
Burke, Conor
Butler, Patrick
Byrne, Dominic
Byrne, Kevin
Caffrey, Stephen
Carroll, Robert
Cepaityte, Laura
Charles, Karl
Cleary, Claire
Cochrane, Peter
Coleman, Graham
Collins, Aisling
Collins, Barry
Collins, Cara
Conaty, Lauren
Connolly, David
Connolly, Vanessa
Constantin, Jasmin
Cooke, Ewelina
Coonan, Katie
Crampton, Sean
Craven, Simone
Crean, Darren
Crowley, Timothy
Deasy, Brendan
Delany, Kora
Dempsey, Rachel
Doherty, Darren
Dolan, James
Donnelly, Callum
Donoghue, Eimear
Dorney Uí Mhuilleoir, Fionnuala
Duffy, Aoibheann
Duffy, Bernadette
Dunne, Jane
Egan, Conall
Eustace, Nicole
Fahy, Colin
Fallon, Deirdre
Fallon, Graham
Fan, Ning
Fannon, Emma
Farrell, Lorraine
Feeney, Cian
Fehin, Aileen
Ferreira Bellegarde Nunes, Miriam
Finan, Samuel
Fitzgerald, Marie
Fitzgerald, Rebecca
Fitzhenry, Alan
Flanagan, Sean
Flatley, Jennifer
Fox, Katie
Gaffney, Eimear
Gallagher, Cathal
Gault, Andrew
Gibbons, Sara
Giles, Leona
Gleeson, Niamh
Glennon, Brian
Gormally, Rory
Gracey, Jordan
Graham, Catherine
Greene, Brad
Gulzar, Zeeshan
Gunning, Dónal
Hamilton, Megan
Hanna, Conn
Hannon, Eoghan
Hardiman, Melissa
Harney, Martin
Hayes, Darragh

Hayes, Michael
Healy, Colin
Healy, Séamus
Holohan, Paul
Hood, Richard
Horgan, Jessica
Huang, Junqi
Hudson, Chloé
Hughes, Conor
Hurst, Sophie
Jackson, Ryan
Jamieson, Katie
Joseph, Aaron
Kaiser, Nicole
Kane, Keelin
Kealey, Caroline
Keating, Emma
Kelly, Conor
Kelly, Fiona
Kelly, Karl
Kelly, Siobhán
Kelly, Tomas
Kenny, Gena
Kinghan, Lauren
Kirwan, Paul
Klapa, Iwona
Larkin, Clare
Lennon, Eoin
Litoiu, Nicoleta
Logan, Jamie
Lombard, Paul
Lynam, Mairéad
Lynch, Aoife
Madden, Peter
Mahon, Kayleigh
Mahony, Cathal
Malone, Daniel
Margey, Catriona
Mariseva, Alisa
McAuliffe, Shane
McCann, Brian
McCarthy, Barry
McCarthy, Grace
McColgan, Liz
McDonagh, Cathal
McEvoy, Owen
McGovern, Shinín
McGowan, Jessica
McIntosh, Andrew
McKnight, Jack
Mehtani, Anuj
Mernagh, Simon
Monaghan, Clare
Moore, Hayley
Moran, Jennifer
Moran, Simon
Morgan, Rachael
Morrissey, Eibhilin
Moylan, David
Mulvihill, Sarah Rose
Murphy, Daniel
Murphy, Siobhan
Murray, Ella
Murray, Michael
Murray, Rachel
Nyhan, Kevin
O'Brien, Celine
O'Connor, Aoife
O'Connor, Ellen
O'Driscoll, Mairead
O'Driscoll, Matthew
Ohlstrom, Eric
Oke, Elizabeth Oluwatomiwa
O'Keeffe, Niall
O'Leary, Gearoid
O'Loughlin, Roseanne
O'Mahony, Mark
O'Malley, David
Omole, Deborah Oyinkansola
O'Neill, Dianaimh
O'Neill, James
Ormsby, Alan
Orobio, Jennifer
O'Shea, Madeleine
O'Sullivan, Barry
O'Sullivan, Peter
O'Sullivan, Sarah
Penny, Brian
Peppard, Anne
Pomykala, Marzena
Potocka, Izabela
Power, Aisling
Power, Roisin
Price, Laura
Puddefoot, Stephen
Purdy, Stephen
Quinn, Patrick
Reidy, Niamh
Rooney, Chloe
Ruane, Helen
Ryan, Deirbhile
Sam, Mathew
Shiels, Catherine
Sinclair, Stephen
Slattery, Anna
Smith, Eoin
Smyth, Connor
Speranska, Anastasija
Spillane, John
Stewart, Victoria
Sweeney, Caitríona
Syron, Muréad
Tansey, Claire
Thompson, JoAnna
Toki, Tosin
Topalovic, Haris
Treacy, Fiona
Twiss, Ciaran
Tyrrell, Amy
Vogelaar, Tom
Waldron, Adam
Wallace, Andrew
Walsh, Morgan
Walsh, Rex
Walshe, Diarmaid
Wang, Jing
Welsh, Sally-Anne
Whelan, Brian
Woodside, Mark
Yao, Chengding
Zhu, Ping

Bye Law 7.1.2 ICAS

Charleton, Luke
Duffy, Ronan

Bye Law 7.1.3 CA ANZ

Sulkenen, Ida

Readmissions Principal Bye Law 17.1

O'Keeffe, Darragh
Wall, Vernon

Deaths

Ahern, Liam
Carney, Thomas Francis
Feddis, Noel
Gargan, Christine
King, Brendan Thomas
O'Kane, Fergus
Shribman, David Elliott

Chartered Tax Consultants

Carr, Tamara
Collins, Rebekah

The coach's corner

Julia Rowan answers your management, leadership, and team development questions.

Q Two members of my team have very different approaches. One likes to dive into the work, see what's involved and then make a loose plan. The other plans thoroughly and works steadily through. They have both privately complained about each other to me, and I feel caught in the middle. What can I do?

A. Feeling caught in the middle is so hard. Whichever way you turn, it seems like you are taking sides. And it can also feel like your job to fix this. However, while you may have a role to play, they need to fix this. Next time either of them complains about the other, don't take on the problem. See yourself as being outside (not in the middle) and ask them questions like "What needs to happen for this to get sorted?", "How can I help you have a good conversation with (your colleague)?" or "How can I help both of you move beyond this?" This means that you are offering support while leaving the issue where it belongs – in their hands. They both probably want the same thing: a high-quality outcome. Insight into different working styles through instruments like Insights, DiSC or MBTI could be helpful here – they often contain helpful tips for working successfully with people who have 'opposite' or different styles.

If you maintain your outsider perspective, you can engage with the pair. Ask questions about what they are trying to achieve, where they see things the same way, and where they see things differently. Don't try to sort everything at the first discussion; giving people time to reflect often brings up interesting ways to collaborate or compromise.

Q I spend a lot of time and effort developing my reports and building a good team. But other managers are constantly trying to poach my staff.

A. This is a hard one. Your company is probably delighted that you are so good at developing staff. You most likely don't want to stop developing your team members. And your team members will continue to want the broader experience (or maybe promotion) promised by other managers. You need to take a long-term view here.

Being a good people manager is a fantastic competency, but can get overlooked. Does your company appreciate the value that you bring? Consider how you build your profile around your people development skills. Perhaps the company could sponsor you in further training in the area (e.g. a coaching course or a conference). Does your company have a mentoring panel you could join? It could be worth talking to HR to see whether there are synchronicities.

If you have rapid turnover in your department, have you taken steps to address that? For example, if you are training somebody into a new role, could you work with them to document the role – to make the training-in of the next person easier? Also, why not ask your current team: "What would have made your induction easier?"

Whatever happens, by looking after your team members, you build a team of supporters within the company. There may well come a time when that is very useful.

Julia Rowan is Principal Consultant at Performance Matters, a leadership and team development consultancy.
To send a question to Julia, email julia@performancematters.ie.

IF YOU READ ONE THING...

This month, I can't decide between *Influence – The Psychology of Persuasion* or *Yes! 50 Secrets from the Science of Persuasion*, both by Robert B. Cialdini, Regents Emeritus Professor of Psychology and Marketing at Arizona State University (the second book was written with Noah Goldstein and Steve Martin). Both books make for fascinating reads. The studies are rigorous, evidence-based, interesting, amusing and eye-opening. You will come away wondering how rational we really are.

MORGAN McKINLEY
GO BEYOND

Only you can decide where your career goes next.
But guidance makes that decision a lot easier.

When you're ready, we will help you find the future **you deserve.**