Module 12 · Evaluation of Corporate Image P17 · 12.1–12.4

SM pp. 543–570, exercise 571–576. **15 marks in 7 papers**, both as **Q7(a)**: ESG audit process (Jun'23, 8 marks) and **corporate image + strategy to build a positive image (Jun'26, from the ICMAI MQP)**. Q7(a) is otherwise IS audit (Module 13).

Paper	Question	Practice papers
Jun'23	Q7(a) **processes followed for an ESG audit** (8)	MQP Q7(a) **approaches to evaluate corporate image** (half of it came in Jun'26)
Jun'26	Q7(a) **what is corporate image? strategy to build a positive image**	postal Q8(a) **the Board's role in ESG strategy** (never asked)

DEC'26 PREDICTION · Q7(a), ABOUT 30% MODULE 12

- Slot model: corporate image (12.1) 15% · ESG (12.4) 10% · managerial-function checks (12.2) 5%. Write-first: the **six approaches + seven techniques** to evaluate image (MQP, only half used) and the **Board's role in ESG** (postal).
- MCQ facts from the SM exercise: slander · perception-oriented advertising · mass persuasion · image is built over years and maintained · BRSR for the **top 1,000** listed companies, mandatory from **FY 22-23**.

WHO MEASURES THE IMAGE, AND BY WHAT (SM 543)

Public	Measures it by
Customers	product quality, prompt after-sales service, regular supplies
Shareholders	consistent financial performance, growth prospects
Suppliers	liquidity, honouring commitments
Banks and FIs	financial health, net worth, debt-servicing history
Government	revenue generation, an honest tax payer
Employees	steady career growth, smooth industrial relations

12.1 Corporate image · evaluating and building it · Jun'26 Q7(a), MQP Q7(a)

- SM WORDS **"Corporate Image" is the reflection of an organisation in the minds of stakeholders and society at large**, i.e. its reputation; what the public sees when the corporation is mentioned. A good corporate image is a **genuine asset**: money at the counter and a higher stock valuation. Without effort it "simply happens"; management can shape it by communications, brands, symbols and publicising its actions; **the image should match reality**. Consistency needed in product quality, management ethics, employee relations, attitude and service to customers. [SM 543]
- **Elements**: (1) core business and financial performance; (2) **brand equity**; (3) innovation or technology; (4) policies towards employees and workers; (5) external relations with customers, stockholders, community; (6) perceived market trends; (7) the promoter or a charismatic leader. A **brief, casual act by an employee** can lift or damage it; the overall image is a composite of thousands of impressions. [SM 544]
- **Image vs images**: different publics see it differently (good brand, poor with suppliers who are paid late; loved on Wall Street, disliked where plants closed). **At the core: business performance**, the single most important factor; **Enron** (7th largest by revenue) collapsed on December 2, 2001 and its reputation imploded. [SM 544]
- **Measuring**: surveys (telephone most common), statistical extrapolation, plus "harder" measures (sales, stock performance); Toyota's US surveys. **Words and actions**: act first, then speak; employees as "a vast army of goodwill ambassadors". The image is built through brand names,

MODEL ANSWER · MQP Q7(a) APPROACHES TO EVALUATE CORPORATE IMAGE

A complex process: a critical examination of internal and external events and trends. The management auditor should: (1) list the **desirable attributes**; (2) classify them into **main groups**, each with its qualifications; (3) assign **weights** by importance; (4) involve **experts** to rate them on facts, judgements and technical studies; (5) **summarise** the ratings by group; (6) present a **composite evaluation** comparing actual with anticipated results. [SM 545–546]

Techniques: **graphical** (up-to-date graphs per attribute of each public) · **point** method · **index** method (ideal indices vs actual) · **survey** (questionnaires) · **ratio** method · **position analysis** (market size, share, stability) · **comparison** (actual vs budget; inter-firm comparison). [SM 546]

website, product quality, **prompt payment of bills**, promotions; it is tied to **reputational risk**. [SM 545]

MODEL ANSWER · JUN'26 Q7(a) STRATEGY TO BUILD A POSITIVE IMAGE

Open with the definition and the six publics (page 1). **Benefits** of a positive image: talented employees; help from institutions and banks; public subscription to shares and debentures; products sold against tough competition; government assistance; public sympathy in difficult times. [SM 546]

Methods: (1) **advertising** (TV reaches rural and tribal areas); (2) **quality products and customer service** build long-term loyalty; (3) **social amenities**: gardens, colleges, hospitals, temples, rural development, sponsorships, financial contributions; (4) **contribution in calamities** (wars, floods, drought, epidemics) is remembered gratefully. Close: you can fool some people all the time, or all the people some time, but **not all the people all the time**: the image must match reality. [SM 546–547]

12.2–12.3 Audit checks of managerial functions and corporate divisions (never asked long)

- **Managerial functions checked**: planning, organising, coordination, leading / motivating, controlling. Management audit scope here: study the organisation; search for performance shortcomings in economic function vs social responsibility, corporate structure, earnings growth, service to shareholders, R&D, constitution of the Board, fiscal and financial policies, operational effectiveness. [SM 548–555]
- **Divisional questions** for strategic business planning, organisation structure, finance and accounting, tax, budgeting, cash management, pricing and cost saving, purchasing, marketing, risk and insurance; Annexure I evaluations of purchase, personnel, production, R&D, sales, distribution (capacity configuration, staging of inventory, transport mode mix) and the **adequacy of budgetary control**. [SM 556–563]

SM MCQ keys: corporate image rests on industry goodwill, employee loyalty and shareholders' trust (all) · media norm "actual and factual" = **accuracy** · bottom-up communication starts with **employees** · business case for CSR: all · PR agency: all · investor relations: all · false or malicious spoken words = **slander** · PRO: all · advertising based on customers' experience = **perception oriented** · internal communication strategy: both · image is **built over years and then maintained** · mass communication = **mass persuasion** · project implementation: government incentives tied up · production: all · purchase: requisitions marked rush or emergency · inventory: review of A-category RM · finance: plans for modernisation and expansion · R&D: a separate department · insurance: timely renewals. True / false: 1 T, 2 T, 3 F, 4 T, 5 T, 6 F, 7 T, 8 F (Google), 9 T, 10 F (Federal Express). [SM 576]

12.4 ESG audit · BRSR · Jun'23 Q7(a), postal Q8(a)

- SM WORDS India introduced ESG reporting for the **top 1,000 listed companies by market capitalisation**: SEBI's **Business Responsibility and Sustainability Report (BRSR)**, mandatory from **F.Y. 22-23** (voluntary for 2021-22). [SM 564–565]
- **History**: India first to mandate **CSR** (Companies Act 2013; earlier the NVGs of 2011); SEBI's **BRR** for the top 100 listed companies in 2012, the top 500 in 2015; **BRSR** by circular of **May 10, 2021**, amending regulation 34(2)(f) of the LODR Regulations; based on the **nine principles** of the National Guidelines on Responsible Business Conduct (influenced by the UN Guiding Principles, SDGs, Paris Agreement, ILO). [SM 564–566]
- **BRSR disclosures**: general (material ESG risks and opportunities, goals, structures); environment (energy and water intensity, air emissions, **GHG Scope 1, 2 and 3**, waste, biodiversity: Principle 6); social: employees (diversity, turnover, median wages, welfare, safety, training: Principles 3 and 5), communities (impact assessment, rehabilitation, CSR: Principle 8), consumers (labelling, recalls, data-privacy complaints: Principle 9); governance (RBC training, anti-bribery, value-chain awareness: Principle 1). [SM 565–566]
- **E, S, G**: E = carbon, waste, resources, eco-friendly technology (also saves cost); S = employees, customers, communities (talent, loyalty); G = board diversity, executive pay, transparency, shareholders' rights. **Challenges**: complex regulation; scattered data (manual extraction; special GLs and cost centres); cost, esp. for small firms (incl. assurance); lack of ESG experts. **Merits**: reputation, risk reduction, saving money, long-term value. **Demerits**: implementation cost, **no standard framework**, short-term focus. [SM 567–568]
- **Adopting ESG**: (1) an **ESG strategy and a Sustainability Development Board** (vision and mission, strategy, measurable goals); (2) reporting templates; (3) investing (JP Morgan, Wells Fargo, Blackrock use ESG criteria); (4) global mandates. Reasons: brand, investors, recruitment and retention, operational effectiveness, regulation. Indian examples: ESG in top management **KRAs** (Marico), Vedanta, Tata group, Welspun; DJSI members Tech Mahindra, Infosys, Wipro; TCS and Reliance net-zero roadmaps. Abroad: UK (Companies Act 2006 regulations 2013), EU directive (2013), US SEC and NYSE, China (seven regulations; 2008 Act). [SM 568–570]

⚠ NOT IN THE SM · JUN'23 Q7(a) THE ESG AUDIT PROCESS (A FRAME TO WRITE)

1. **Scope and materiality**: agree objectives and the framework (BRSR principles, any global standard); identify the **material ESG issues** of the industry.
2. **Understand governance and policies**: Board / committee oversight, ESG policies, targets, responsibility owners.
3. **Understand the data systems**: how energy, water, emissions (Scope 1, 2, 3), waste, diversity, safety, complaints data are captured (often scattered and manual: SM 567).
4. **Test controls and verify KPIs**: trace samples to meters, invoices, HR and safety records; recompute intensities.
5. **Compliance check**: LODR regulation 34(2)(f) / BRSR, environmental and labour laws, CSR (s.135).
6. **Gap analysis and benchmarking** against peers and targets; risks and opportunities.
7. **Report and assurance**: findings, recommendations, an assurance or assessment statement where required (SEBI's BRSR Core, 2023, phased in for the largest listed companies).
8. **Follow-up** of the action plan with owners and dates.

⚠ NOT IN THE SM AS SUCH · POSTAL Q8(a) THE BOARD'S ROLE IN ESG STRATEGY

- Set the **ESG vision, mission and strategy** aligned to the business, with **measurable goals and targets** (SM 568: a Sustainability Development Board).
- Oversight structure: a **Board committee** (CSR / sustainability / risk) with clear charters; ESG skills on the Board.
- Integrate ESG into **risk management** and capital allocation; climate and supply-chain risk.
- Put ESG targets into **top management KRAs and pay** (SM 569: Marico).
- Approve **BRSR disclosures**; ensure reliable data and assurance; engage investors and stakeholders.
- Set the **tone at the top**: ethics, anti-bribery, human rights across the value chain.