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CIPS L5M5 Exam Syllabus Topics:

Topic	Details
Topic 1	<ul style="list-style-type: none"> Understand the importance of compliance with ESG (Environmental, Social, and Governance) factors to achieve ethical and sustainable procurement and supply arrangements: This section of the exam measures skills of Supply Chain Specialists and covers methods to ensure compliance with ESG standards in procurement. It includes the use of supply chain mapping, risk management, stakeholder engagement, and contractual terms to secure sustainable practices. Candidates also learn how to monitor supplier performance, handle non-compliance, and utilize third-party auditors to maintain ethical standards. Relationship management strategies, corrective actions, and escalation processes are emphasized as part of ensuring suppliers meet ESG expectations.

Topic 2	<ul style="list-style-type: none"> Understand the impact of ESG (Environmental, Social, and Governance) considerations on ethical and sustainable supply chains: This section of the exam measures the skills of Procurement Managers and covers how ESG principles are applied to secure ethical and sustainable supply chains. It looks at the role of environmental, social, and governance factors in procurement decisions, alongside risks and benefits of ESG adoption. Learners also explore issues such as modern slavery, bribery, and human rights, as well as the importance of diversity, inclusion, and stakeholder management. The section highlights how globalization, culture, and labour practices shape supply strategies and examines potential conflicts that may arise when balancing ESG priorities with business demands.
Topic 3	<ul style="list-style-type: none"> Understand initiatives and standards related to ESG (Environmental, Social, and Governance) that support ethical and sustainable procurement and supply: This section of the exam measures the skills of Procurement Leaders and covers the global frameworks and standards that shape ethical supply practices. It explores international labour standards set by organizations such as the UN and ILO, and labour codes like the Ethical Trading Initiative and SA800. Candidates also examine external environmental frameworks, industry accreditations, and their role in meeting ESG goals. Finally, this section addresses fair trade principles, organizations such as WFTO and Fairtrade International, and the need to align internal governance with global standards.

CIPS Managing Ethical Procurement and Supply (L5M5) Sample Questions (Q61-Q66):

NEW QUESTION # 61

Several UK-based companies operate in diverse production industries, each facing unique market structures and supplier dynamics when sourcing raw materials and negotiating contracts. The power balance between buyers and suppliers varies based on market conditions, supplier availability, and industry-specific factors.

Case A: GreenPasture Feeds Ltd

GreenPasture Feeds Ltd is one of many manufacturers producing cattle feed, with soybean meal as a key ingredient. However, the supply of soybean meal is controlled by a small number of vendors, giving them significant bargaining power. As a result, GreenPasture Feeds Ltd faces higher procurement costs due to supplier dominance in the market.

Case B: MedTech Biologics Ltd

MedTech Biologics Ltd develops a specialized vaccine that relies on a crucial active ingredient supplied by a single biotechnology firm in Germany. This exclusive dependency creates a strategic interdependence between MedTech Biologics Ltd and its sole supplier, requiring close collaboration to maintain an uninterrupted supply chain.

Case C: PlayMax Toy Manufacturing

PlayMax Toy Manufacturing produces plastic toys using a specialized food-grade plastic sourced from a few manufacturers. However, the plastic resin needed for production is widely available from numerous global suppliers. This abundance of supply options strengthens PlayMax's bargaining position, allowing the company to negotiate favorable procurement terms.

Case D: BrewMaster Coffee Company

BrewMaster Coffee Company specializes in premium instant coffee production. Since high-quality Arabica coffee beans are grown and supplied by producers across various regions worldwide, the company benefits from an extensive supplier base. This widespread availability gives BrewMaster a competitive edge in securing cost-effective and high-quality raw materials.

Using the provided options, complete the table by identifying the market structure for each case and determining the buyer-supplier power dynamic based on their level of dominance.

- A. Monopoly (Single supplier of the key ingredient): Buyer and supplier are interdependent
- B. Oligopoly (Few suppliers of soybean meal): Supplier is dominant over buyer

Answer: A,B

Explanation:

In the competitive world of production and supply chain management, companies must navigate diverse market structures and power dynamics when sourcing raw materials. The availability of suppliers, the number of buyers, and the overall industry landscape influence the negotiation power between buyers and suppliers. Below, we analyze four UK-based companies, exploring their market structures and the inherent power dynamics that shape their procurement strategies. Case A: GreenPasture Feeds Ltd - Supplier Dominance in an Oligopoly GreenPasture Feeds Ltd operates in the cattle feed manufacturing industry, where soybean meal is a critical raw material. Despite the presence of multiple cattle feed producers, the supply of soybean meal is controlled by a limited number of suppliers, creating an oligopoly on the supplier side. Market Structure: Oligopoly (Few suppliers controlling the market) Power Dynamic: Supplier is Dominant Over Buyer Due to the scarcity of suppliers and the high demand for soybean meal,

GreenPasture Feeds Ltd has little leverage in price negotiations. Suppliers dictate procurement terms, leading to higher costs for buyers like GreenPasture Feeds Ltd. The limited choice in suppliers forces the company to comply with set conditions, highlighting the imbalance of power in favor of suppliers. Case B: MedTech Biologics Ltd - Mutual Dependence in a Monopoly MedTech Biologics Ltd specializes in manufacturing a rare vaccine, relying on a single biotechnology firm in Germany for a crucial active ingredient. Since this supplier is the sole producer of the required material, it operates as a monopoly on the supplier side. Market Structure: Monopoly (A single supplier dominates the market) Power Dynamic: Buyer and Supplier are Interdependent While the supplier holds significant power by being the only source of the ingredient, MedTech Biologics Ltd is also the exclusive manufacturer of this particular vaccine. This mutual exclusivity fosters interdependence, requiring both parties to collaborate strategically to ensure consistent supply and stable production. The relationship must be carefully managed to maintain operational continuity and mitigate supply chain risks. Case C: PlayMax Toy Manufacturing - Buyer's Advantage in an Oligopsony PlayMax Toy Manufacturing produces children's toys using a specialized food-grade plastic, available from only a few manufacturers. However, there are even fewer buyers for this specialized plastic, giving companies like PlayMax a strong bargaining position. This scenario creates an oligopsony, where a small number of buyers influence supplier behavior. Market Structure: Oligopsony (Few buyers exert influence over suppliers) Power Dynamic: Buyer is Dominant Over Supplier Since there are multiple suppliers but limited buyers for this specific type of plastic, PlayMax can dictate favorable procurement terms, negotiate better prices, and even switch suppliers if needed. The suppliers, reliant on a small customer base, have limited pricing power, placing them at a disadvantage in negotiations. This gives PlayMax a strong upper hand in procurement decisions. Case D: BrewMaster Coffee Company - Balanced Competition in a Perfect Market BrewMaster Coffee Company produces premium instant coffee, sourcing high-quality Arabica coffee beans from multiple global suppliers. With numerous buyers and suppliers operating in this market, no single entity can dominate pricing or supply, making it an example of perfect competition. Market Structure: Perfect Competition (Many buyers and sellers, no market control) Power Dynamic: Buyer and Supplier are Independent Due to the abundance of coffee producers, BrewMaster Coffee Company has flexibility in choosing suppliers based on quality, price, and ethical sourcing. Similarly, coffee bean producers are not reliant on a single buyer, as they can sell their beans to multiple companies. This results in a balanced and competitive relationship, where neither side holds significant power over the other.

NEW QUESTION # 62

Which of the following are principles of the Wine and Agricultural Ethical Trade Association (WIETA)? Select THREE

- A. Prohibition of forced labour
- B. Regular employment to be provided
- C. Automatic sick pay
- D. A working environment free from risk
- E. Working hours shall not be excessive

Answer: A,B,E

Explanation:

Comprehensive and Detailed Explanation From Exact Extract of Documents:

The Wine and Agricultural Ethical Trade Association (WIETA) is an organisation promoting fair trade and ethical practices in South Africa's wine industry. The L5M5 study guide (p.262) outlines WIETA's principles, which align with ILO standards. These include prohibition of forced labour, ensuring working hours are not excessive, and providing regular employment rather than temporary or exploitative contracts. Options D and E are not accurate-no workplace can be entirely free of risk, and sick pay is determined by national legislation, not WIETA. Procurement professionals working with agricultural sectors should be aware of such sector-specific ethical trade associations.

Reference: Managing Ethical Procurement and Supply (L5M5) Study Guide, p.262

NEW QUESTION # 63

A manufacturing company experienced frequent breakdowns of a critical machine due to improper maintenance. To resolve this, management is investigating the root cause and implementing measures to prevent future occurrences. What type of plan is the management prioritizing?

- A. Risk mitigation plan
- B. Corrective Action Plan
- C. Preventative Action Plan
- D. Root Cause

Answer: C

Explanation:

Choice B- This is the correct answer because the focus is on implementing measures to prevent future breakdowns and ensure the issue does not recur.

Incorrect answer:

Choice A- This would apply if the management's focus was on fixing the immediate issue (e.g., repairing the broken machine). Since the emphasis is on prevention, this is incorrect.

Choice C- While identifying the root cause is a part of the process, the plan described involves taking preventive action beyond just identifying the cause.

Choice D- This is incorrect because risk mitigation focuses on reducing potential risks, often before they occur. In this case, the issue has already occurred, and the goal is prevention, not general risk management.

Reference:

LO-2.4; Page 229-230; Creating corrective action plans and supplier development programmes

NEW QUESTION # 64

An organization has a clear understanding of the service it requires and has precisely outlined the process for how the supplier must deliver it. It aims to use an 'outcome-focused specification.' Is this the appropriate specification approach for the organization?

- A. Yes, this specification approach explicitly defines how the service should be delivered
- B. Yes, this specification approach allows for maximum innovation from the supplier
- C. No, an open specification would be the better approach
- **D. No, in an outcome-focused specification approach, the supplier determines how to deliver the service**

Answer: D

Explanation:

Correct answer is choice C- No, an outcome-focused specification approach allows the supplier to determine how the service will be delivered.

Incorrect answer:

Choice A- This is wrong as having a clear idea means the buyer can easily use conformance specification for its requirement which will include exact requirements of materials, standards etc.

Choice B- Outcome specifications does provide more freedom of choice to the suppliers but it is not required here as the buying organization knows what it wants in a specific way.

Choice D- An open specification is a specification created and controlled, in an open and fair process, by an association or a standardization body intending to achieve interoperability and interchangeability which is beyond the scope of the syllabus.

Reference:

LO-1.4; Page 118; Specifications

NEW QUESTION # 65

A large retail chain, HyperMart, sources products from multiple suppliers, each specializing in different categories such as electronics, clothing, and groceries. To maintain a diverse selection, HyperMart has contracts with multiple suppliers for each product category. At the same time, these suppliers serve various large retailers and are not solely dependent on HyperMart for their sales.

In this scenario, how does the mutual independence between HyperMart and its suppliers illustrate the dynamics of the power dominance model?

- A. HyperMart has significant power over suppliers due to its large purchasing volume
- B. Suppliers hold power over HyperMart because they provide unique products that are difficult to substitute
- **C. Both HyperMart and its suppliers operate independently without significant power over each other**
- D. The dependence of HyperMart on suppliers for critical products increases supplier power

Answer: C

Explanation:

In this scenario, both HyperMart and its suppliers operate independently. HyperMart has multiple suppliers to choose from, limiting any single supplier's influence. Likewise, suppliers serve multiple large retailers, including HyperMart, preventing dependency on a single customer. This mutual independence creates a balanced power dynamic, where neither party holds significant control over the other.

Thus, the correct answer is Option C.

Reference:

LO-1.4; Page 128-129; Responsible use of power relationships

