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High-quality CIPS - L5M5 - Managing Ethical Procurement and Supply (L5M5) Latest Test Answers

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CIPS L5M5 Exam Syllabus Topics:

Topic	Details
Topic 1	• 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	• 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	• 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 (Q12-Q17):

NEW QUESTION # 12
Ruby is a Contracts Manager at ACE Ltd and manages a contract with Spades Ltd which provides raw materials. She has found a serious issue in Spade's conduct. Which TWO documents should Ruby complete?

- A. SWOT Analysis and KPIs
- B. Corrective Action Plan and SWOT Analysis
- C. Root Cause Analysis and Corrective Action Plan
- D. KPIs and Root Cause Analysis

Answer: C

Explanation:
Comprehensive and Detailed Explanation From Exact Extract of Documents:
When a supplier's conduct breaches expected standards, the appropriate tools are Root Cause Analysis (to identify why the issue occurred) and a Corrective Action Plan (to detail how the supplier will fix and prevent recurrence). The L5M5 study guide (p.228) emphasises that KPIs should already be established at the start of the contract, and a single conduct issue may not mean performance indicators are being missed. SWOT analysis is not suitable in this scenario, as it is a strategic tool rather than a compliance or corrective measure. Corrective actions ensure continuous improvement and supplier accountability, which are essential for ethical supply chain management.
Reference: Managing Ethical Procurement and Supply (L5M5) Study Guide, p.228

NEW QUESTION # 13
While low-cost country sourcing can provide substantial cost savings for buyers, it also comes with significant risks. Which of the following should be avoided as a potential target for low-cost country sourcing?

- A. A country that is remote geographically but with good transportation routes
- B. A country consisting of workers with detailed knowledge of the product
- C. A country with stable tax and tariff structures
- D. A country where companies use Just in Time (JIT) method of SCM

Answer: D

Explanation:
Choice B-It is important to calculate the potential cost of a supplier failing to meet the level of service timeline. If a company uses JIT methods of supply chain management, then LCCS is not a suitable option especially for critical components because delivery delays can be costly and disruptive. Without backup inventory, customers may have to wait for the company to receive supplies and manufacture the product. Thus is the correct answer.
Incorrect answer:
Choice A- A country with good transportation routes is critical to analyse as shipping will be fairly economical. Therefore is a potential target for LCCS.
Choice C- Level of education and skills of workers in chosen low cost country will help in producing vital key components as they will specialize in them. Thus this country should be a potential target of LCCS.
Choice D- Tariffs and taxes can significantly impact the cost-effectiveness of sourcing from low-cost countries. Understanding the export taxation in the source country and import tariffs in one's own country is crucial. This being stable can help in calculating and making a decision of selecting a country for low cost sourcing.
Reference:

LO-1.2; Page 76; Low-cost country sourcing

NEW QUESTION # 14
A company frequently ships high-value goods internationally, and the logistics team identifies a significant risk of financial loss due to potential cargo theft or damage during transit. To mitigate this risk, the company hires an external freight forwarder who provides insurance coverage and assumes full responsibility for the goods while in transit.
What is the most appropriate risk management strategy in this scenario?

- A. Tolerate
- B. Transfer
- C. Treat
- D. Terminate

Answer: B

Explanation:
Option B- By hiring the external freight forwarder with insurance coverage, the company shifts the responsibility and potential financial loss to a third party. Thus, the correct answer is B.
Incorrect answer:
Option A- "Treat" involves taking action to mitigate the risk internally. For example, the company could implement its own security measures, such as using GPS tracking, enhanced packaging, or employing in-house logistics staff. In this scenario, the company is not mitigating the risk itself but instead transferring the responsibility to the freight forwarder.
Option C- The risk of theft or damage is significant in this scenario, and ignoring it would likely result in substantial financial losses. Hence, tolerating the risk is not a viable strategy.
Option D- Terminating the activity is not practical for the business, as shipping goods internationally is likely critical to operations. Instead, transferring the risk to the freight forwarder is a more reasonable approach.
Reference:
LO-2.1; Page 166; Use of risk mitigation strategies to achieve ESG objectives to secure ethical and sustainable procurement and supply arrangements

NEW QUESTION # 15
What types of organisations is the UN Global Compact aimed at?

- A. Governments
- B. NGOs
- C. Businesses
- D. Charities

Answer: C

Explanation:
Comprehensive and Detailed Explanation From Exact Extract of Documents:
The UN Global Compact is primarily aimed at businesses. The L5M5 study guide (p.258) clarifies that while NGOs and other organisations can engage, the Compact is designed to encourage corporate responsibility in human rights, labour, environment, and anti-corruption. Since 2003, cities and public sector organisations can also join under different frameworks, but businesses remain the main focus. For procurement, this means suppliers aligned with the UN Global Compact are more likely to demonstrate compliance with global ethical standards.
Reference: Managing Ethical Procurement and Supply (L5M5) Study Guide, p.258

NEW QUESTION # 16
XYZ Corp is seeking industry certification and has hired an external firm to assess its compliance with regulatory requirements and industry standards. The firm will provide an unbiased evaluation and recommend improvements. What type of audit is XYZ Corp conducting?

- A. Financial audit
- B. Internal audit
- C. Compliance audit

- D. Third-party audit

Answer: D

Explanation:
Choice B- While the audit focuses on compliance (option C), the key detail in the scenario is that the audit is being conducted by an external firm. This makes it a third-party audit. A compliance audit (option C) could be conducted either internally or externally, depending on the organization's approach.
Incorrect answer:
Choice A- Internal audits are conducted by the organization's own employees or an internal audit team to assess compliance, risks, and processes. Since XYZ Corp hired an external firm, this is not an internal audit.
Choice C- Although the audit involves assessing compliance with regulatory and industry standards, the key point in the scenario is the use of an external firm. This makes it a third-party audit. A compliance audit can be conducted internally, externally, or by a third party. Incorrect (in this context) Choice D- A financial audit focuses on verifying the accuracy of an organization's financial statements and records. The scenario does not mention financial data but instead focuses on regulatory and industry compliance. Therefore, this is not a financial audit.
Reference:
LO-2.3; Page 207-208; Sourcing third parties for auditing services

NEW QUESTION # 17
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