

CIPS

L5M5 Exam

Managing Ethical Procurement and Supply

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Question: 1

Which of the following form the 'Triple Bottom Line'? Select THREE

- A. People
- B. Planet
- C. Product
- D. Profit
- E. Placement

Answer: A, B, D

Explanation:

Comprehensive and Detailed Explanation From Exact Extract of Documents:

The concept of the Triple Bottom Line (TBL), also referred to as the "3Ps," is a framework that assesses organisational success through People, Planet, and Profit. These dimensions highlight the balance between social equity (people), environmental stewardship (planet), and economic performance (profit). According to the CIPS L5M5 study guide (p.3), procurement and supply professionals are expected to incorporate sustainability into decision-making processes, ensuring that business practices do not only

create economic value but also deliver positive social and environmental impacts. "Product" and "Placement" are not part of the TBL model, as they are marketing-related concepts, not sustainability measures. This principle ensures procurement strategies align with corporate responsibility and long-term sustainable growth.

Reference: Managing Ethical Procurement and Supply (L5M5) Study Guide, p.3

Question: 2

Creating value responsibly for shareholders would sit under which aspect of the sustainability triple bottom line?

- A. Legal
- B. Social
- C. Environmental
- D. Economic

Answer: D

Explanation:

Comprehensive and Detailed Explanation From Exact Extract of Documents:

The economic pillar of the Triple Bottom Line refers to the creation of financial value while maintaining responsibility toward stakeholders. The L5M5 study guide (p.179) explains that sustainability in procurement is not only about compliance with social and environmental standards but also about ensuring financial viability. Activities such as delivering shareholder returns, managing costs, and

achieving long-term profitability fall under the economic dimension. "Legal" is not one of the TBL pillars, and while law supports governance, it is not itself a sustainability principle. Therefore, creating value for shareholders through responsible economic performance is clearly categorised under the economic aspect of TBL.

Reference: Managing Ethical Procurement and Supply (L5M5) Study Guide, p.179

Question: 3

Which of the following is not considered to be an alternative form of dispute resolution?

- A. Mediation
- B. Adjudication
- C. Conciliation
- D. Litigation

Answer: D

Explanation:

Comprehensive and Detailed Explanation From Exact Extract of Documents:

Alternative Dispute Resolution (ADR) mechanisms are encouraged in procurement as they save time, reduce costs, and preserve business relationships. The key ADR methods listed in the L5M5 study guide (p.188) include mediation, adjudication, and conciliation. These methods are designed as alternatives to litigation, which involves courts, legal judgments, and lengthy processes. Litigation is not an ADR method; it is the traditional approach, often more adversarial and costly. Procurement professionals are encouraged to adopt ADR whenever possible, as it helps maintain collaborative supplier relationships while resolving conflicts effectively.

Reference: Managing Ethical Procurement and Supply (L5M5) Study Guide, new edition p.188

Question: 4

ABC Construction is in a contract with DEF Developers to deliver 40 houses. The contract includes a "Payment is of the Essence" clause. DEF fails to pay for completed work. ABC stops work. Are they allowed to do this?

- A. No – the contract has not been completed, so ABC must continue working
- B. No – as long as payment is made eventually, ABC must keep working
- C. Yes – ABC have the right to stop work as non-payment is a breach of contract
- D. Yes – it is a legal requirement to pay construction firms regularly

Answer: C

Explanation:

Comprehensive and Detailed Explanation From Exact Extract of Documents:

The correct answer is Yes, ABC can stop work. The L5M5 study guide (p.189) explains that where a clause states "of the essence," it means the condition is fundamental to the contract. Non-payment under a "Payment is of the Essence" clause is considered a material breach of contract. This allows the injured party (ABC) to terminate the agreement and/or claim damages. In construction contracts, timely payments are essential because they enable contractors to pay subcontractors. Historically, "pay when paid" clauses caused major problems for smaller firms, leading to reforms and the introduction of stricter "essence" clauses to protect them. Thus, DEF Developers' failure to pay entitles ABC to stop work legally.

Reference: Managing Ethical Procurement and Supply (L5M5) Study Guide, p.189

Question: 5

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

Answer: B

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

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