

CIPS Level 6 – Professional Diploma in Procurement and Supply

Environmental, Social and Governance Principles for Procurement and Supply [L6M11]

Sample Exam Questions (Objective Response)

The Correct answer will be listed below each question

Q1. Ace Manufacturing Ltd., a mid-sized industrial company, has recently established an Environmental, Social and Governance (ESG) committee to drive initiatives that align with its corporate values. One of the committee's priorities is to strengthen the organisation's approach to Equality, Diversity and Inclusion (ED&I) within procurement and supply. The Procurement and Supply Director is tasked with developing strategies to promote ED&I across the organisation while ensuring alignment with ESG values and objectives.

Which of the following methods would be the most effective in fostering an inclusive culture and supporting ED&I initiatives within the organisation?

- a. Implement a decentralised structure with autonomous teams, with minimal interference from senior leadership
- b. Conduct regular supplier audits focused on financial performance and legal compliance
- c. Develop and communicate a clear ED&I policy supported by leadership and appropriate training
- d. Prioritise individual performance metrics over the team dynamic and collective outputs

LO: 1

AC: 1.3

Correct answer: C

Q2. Which of the following are effective ways to actively train and engage employees across all levels of the business in Environmental, Social and Governance (ESG) practices? Select **ALL** that apply.

- a. Incorporating ESG into job descriptions
- b. Incorporating ESG into employee targets and performance reviews
- c. Offering financial rewards to senior managers for delivering safety initiatives
- d. Recognising and rewarding ESG-related contributions
- e. Implementing a top-down communication approach to ESG related challenges
- f. Providing regular ESG training programs to build awareness and skills

LO: 1

AC: 1.2

Correct answer: B, D, F

Q3. Transparency and accountability in Environmental, Social and Governance (ESG) reporting is necessary to secure credibility and trust with key stakeholders such as employees, customers and investors. Is this statement TRUE?

- a. No, all ESG reporting is voluntary, and organisations are not required to disclose performance data beyond that which they choose to share
- b. No, ESG reporting is a regulatory requirement for organisations employing more than 5 people, but only auditors have access to the results
- c. Yes, ESG reporting requirements follow standardised frameworks that require organisations to disclose their achievements, helping to secure stakeholder support and trust
- d. Yes, ESG reporting includes clear disclosures of threats, challenges and progress, to enable informed decision-making from potential stakeholders

LO: 2

AC: 2.2

Correct answer: D

Q4. How does working closely and collaboratively with suppliers help organisations to advance their Environmental, Social and Governance (ESG) sourcing goals?

- 1. Working together improves standards of responsible sourcing across the whole supply chain
 - 2. Working together forces suppliers to comply with regulations and industry standards
 - 3. Working together prioritises supplier relationships that offer the lowest cost, short-term solutions
 - 4. Working together enables suppliers to access and improve ethical and sustainable resources
- a. 1 and 2 only
 - b. 2 and 3 only
 - c. 3 and 4 only
 - d. 1 and 4 only

LO: 3

AC: 3.2

Correct answer: 1 and 4 only

Q5. NestWork is a global company that manufactures and distributes wood products and furniture. NestWork initially had a good reputation for treating the workers recruited in its factory very well. Over time, the company raised capital by selling shares to investors and it expanded into a large global company. In recent years, the company has faced some criticism regarding conditions at factories within its supply chain. They have faced media scrutiny regarding environmental impact and ethical treatment of employees. The company has recognised the growing importance of stakeholder trust in its long-term success. A negative public perception could affect investor confidence, customer and employee satisfaction, and may incur regulatory scrutiny. The leadership team has decided to refine their approach to stakeholder management to better align with their values of sustainability, innovation and ethical responsibility.

Q5 (i) Which Stakeholder group is critical to NestWork in enforcing sustainable sourcing standards in the wider supply chain?

- a. NestWork's full time employees
- b. The governments of NestWork's operating countries
- c. NestWork's local communities
- d. NestWork's tier 1 suppliers

LO: 2

AC 2.1

Correct answer: D

Q5 (ii) What is the most effective strategic tool for NestWork to identify stakeholder groups in an engagement strategy?

- a. Surveys and questionnaires
- b. Stakeholder mapping
- c. Stakeholder interviews
- d. Third party audits

LO: 2

AC 2.1

Correct answer: B

Q5 (iii) How would a double materiality assessment benefit Nestwork?

- a. It assesses the safety human resource risks
- b. It combines the operational risks and stakeholder perspectives
- c. It combines the financial perspective and an impact-based perspective
- d. It assesses the micro and macro market environment

LO: 2

AC 2.1

Correct answer: C

Question 5 continued ...

Q5 (iv) Which of the following will be the most effective approach for NestWork to ensure meaningful stakeholder engagement on Environmental, Social and Governance (ESG) initiatives?

- a. Publish an annual ESG report and make it available on the company's website
- b. Conduct ongoing dialogue with key stakeholders through forums and advisory panels
- c. Conduct a one-time survey to gather stakeholder opinions
- d. Create a marketing campaign highlighting its ESG initiatives

LO: 2

AC 2.1

Correct answer: B

Q5 (v) How can NestWork use stakeholder engagement to continually improve Environmental, Social and Governance (ESG) performance in its procurement practices?

- a. By collaborating with suppliers to develop and implement sustainable sourcing standards and KPIs
- b. By only working with suppliers that already meet ESG legal minimum requirements
- c. By requiring end users to complete obligatory mandatory training developed by NestWork
- d. By meeting with governmental organisations to discuss political challenges

LO: 2

AC 2.1

Correct answer: A

Q6. GreenFuture Inc. (GFI) is a large logistics company. GFI recently developed a comprehensive Environmental, Social and Governance (ESG) strategy which focused on reducing carbon emissions, enhancing workplace diversity, and promoting ethical supply chain practices. The strategy was designed through extensive consultations with internal stakeholders, including senior management, employees, and department heads. After the strategy was launched, several challenges emerged: Suppliers reported difficulties meeting GFI's new sustainability standards. Local communities criticised the company for overlooking their needs and customers expressed dissatisfaction with a lack of tangible progress.

Which of the following should GFI focus on to address these challenges?

- 1. Engage collaboratively with external stakeholders
 - 2. Align its ESG goals with stakeholder expectations
 - 3. Respond in detail to each and every concern raised by stakeholders
 - 4. Increase the complexity of the regulatory requirements
- a. 1 and 2 only
 - b. 2 and 3 only
 - c. 3 and 4 only
 - d. 1 and 4 only

LO: 1

AC: 1.1

Correct answer: 1 and 2 only

Q7. BrightFuture Energy Ltd. is developing its Environmental, Social and Governance (ESG) strategy to address growing concerns from stakeholders about its environmental and social impacts. To ensure the strategy is both comprehensive and effective, the organisation plans to conduct a double materiality assessment.

Which of the following is a key output of conducting a double materiality assessment?

- a. Calculating the direct financial return on investment (ROI) generated by any investments
- b. Establishing a framework to prioritise short-term financial performance over the long-term ESG risks
- c. Evaluate the basic legal requirements to ensure sustainability spending remains within necessary limits
- d. Identifying risks and opportunities that are significant, both to the company and its external stakeholders

LO: 2

AC: 2.1

Correct answer: D

Q8. The measurement of Scope 3 emissions in the supply chain is important for reducing the environmental impact of procurement. Is this statement TRUE?

- a. No, Scope 3 emissions is only relevant for organisations that have set public carbon reduction targets
- b. Yes, Scope 3 emissions identify indirect emissions across the entire supply chain, enabling more targeted actions to reduce environmental impact
- c. Yes, Scope 3 emissions provide a legal mandate that all suppliers disclose their full emissions to set more accurate reduction targets
- d. No, measuring Scope 3 emissions is unnecessary because they have no impact on the organisation's overall carbon footprint

LO: 3

A.C: 3.4

Correct answer: B

Q9. Which of the following actions can procurement and supply leaders take to champion Equality, Diversity, and Inclusion (ED&I) in the workplace? Select **ALL** that apply.

- a. Organising employee workshops on cultural awareness and unconscious bias
- b. Creating a governance structure to ensure ESG and ED&I policies are upheld
- c. Establishing an exclusive supplier list based on historic performance
- d. Forming an ESG committee to oversee ED&I initiatives
- e. Reducing ED&I reporting requirements to minimise disruptions
- f. Encouraging suppliers to implement ED&I training for their staff
- g. Offering financial incentives for employees to complete informal ED&I training

LO: 1

AC: 1.3

Correct answers: A, B, D, F

Q10. CoreWeld Systems has implemented a variety of Equality, Diversity, and Inclusion (ED&I) initiatives across its procurement and supply chain activities. However, the leadership team is under pressure from stakeholders to demonstrate improvement linked to the wider concept of Environmental, Social and Governance (ESG).

Which of the following methods would best assess the success of CoreWeld System's ED&I initiatives on its ESG performance?

- a. Publish the current diversity figures to the relevant stakeholders
- b. Conduct employee satisfaction surveys focusing only on financial incentives
- c. Implement an annual report to reflect the number of international suppliers
- d. Establish specific measures such as gender pay gap, diversity of hires and supplier diversity

LO: 1

AC: 1.3

Correct answer: D

Q11. Which of the following are innovative procurement solutions that support improved organisational Environmental, Social and Governance (ESG) outcomes?

- 1. Adopting circular economy practices
 - 2. Utilising renewable resources in sourcing
 - 3. Reducing supplier management oversight
 - 4. Eliminating all non-local suppliers
- a. 1 and 2 only
 - b. 2 and 3 only
 - c. 3 and 4 only
 - d. 1 and 4 only

LO: 3

AC: 3.3

Correct answer: 1 and 2 only

Q12. A procurement team is evaluating potential sourcing practices to address Environmental, Social and Governance (ESG) challenges in their supply chain.

Which of the following practices should the procurement team consider when evaluating ESG-focused sourcing practices? Select **ALL** that apply.

- a. Implementing supplier assessments based on sustainability criteria
- b. Encouraging suppliers to reduce their carbon footprint
- c. Using a price-first approach to supplier selection
- d. Monitoring supplier adherence to human rights standards
- e. Focusing exclusively on low-cost suppliers to maximise savings
- f. Establishing long-term partnerships with suppliers who prioritise ESG values
- g. Including social and environmental criteria in supplier contracts

LO: 2

AC: 2.3

Correct answer: A, B, D, F, G

Q13. TerraForm Mining & Resources aims to align with new sustainability regulations and stakeholder expectations by adopting circular economy practices and increasing the use of renewable resources. The company is exploring innovative procurement solutions to enhance its Environmental, Social and Governance (ESG) performance.

Which of the following procurement solutions would most effectively support these ESG objectives?

- a. Partnering with suppliers who use renewable energy in their manufacturing processes
- b. Procuring raw materials from only the lowest-cost sources
- c. Offering short-term contracts with suppliers to reduce bureaucracy
- d. Regularly re-tendering to encourage suppliers to deliver quick wins

LO: 3

AC: 3.3

Correct answer: A

Q14. A large manufacturing company, known for its extensive global supply chain, is looking to significantly improve its Equality, Diversity and Inclusion (ED&I) performance within its procurement and supply chain operations. Recognising the importance of both Environmental, Social and Governance (ESG) and ED&I in fostering innovation, enhancing supplier relationships, and promoting a positive corporate image, the company has decided to take proactive steps in this direction.

To spearhead this initiative, the company has hired a new Head of Procurement, who brings a wealth of experience in procurement and a strong commitment to ED&I principles. The new Head of Procurement is tasked with developing and implementing a comprehensive strategy to achieve the company's ED&I goals. This will require a multifaceted approach, involving collaboration with various stakeholders, both internal and external.

Which actions are likely to be the most effective for a procurement and supply leader's strategy to promote Equality, Diversity and Inclusion (ED&I)?

1. Issuing supplier performance ESG and ED&I questionnaires
 2. Conducting third party health and safety audits on suppliers
 3. Developing governance structures to oversee ED&I goals
 4. Establishing committees focused on ESG and ED&I objectives
- a. 1 and 2 only
 - b. 2 and 3 only
 - c. 3 and 4 only
 - d. 1 and 4 only

LO: 1

AC: 1.3

Correct answer: D

Q15. The following Five organisations are measuring different types of carbon emissions in their operations and supply chains:

Organisation 1. This organisation owns a fleet of delivery vehicles and operates its own manufacturing plants. It measures the fuel consumption of the delivery fleet and the emissions produced by its factories and direct operations.

Organisation 2. This organisation tracks emissions from its own fuel use and manufacturing processes, while monitoring its purchased energy. It currently does not measure emissions produced by the supply chain or product use.

Organisation 3. This organisation uses a comprehensive approach to carbon reporting. It measures emissions produced by its own operations, its purchased energy, its suppliers, customers and product disposal.

Organisation 4. This organisation does not produce significant direct emissions, but assesses the carbon footprint of raw materials provided by suppliers, the business travel of employees, and the transportation of finished products to customers.

Organisation 5. This organisation purchases electricity, heating and cooling for external providers to power its offices and production facilities. It carefully monitors the carbon footprint associated with the energy it consumes but does not produce itself.

You are required to identify the scope type for each organisation and the relevant emission type. Choose from these options and drag and drop your answers into the table below. **(10 marks)**

Scope 1 emissions	Direct and indirect emissions from purchased energy, and indirect emissions produced by the supply chain
Scope 2 emissions	Indirect emissions produced by the supply chain
Scope 3 emissions	Direct and indirect emissions from purchased energy
Scope 1 and 2 emissions	Direct emissions
Scope 1,2 and 3 emissions	Indirect emissions from purchased energy

Organisation	Scope type	Emissions type
1		
2		
3		
4		
5		

Correct answer:

Organisation	Scope type	Emissions type
1	Scope 1 emissions	Direct emissions
2	Scope 1 & 2 emissions	Direct emissions and indirect emissions from purchased energy
3	Scope 1, 2 & 3 emissions	Direct and indirect emissions from purchased energy, and indirect emissions produced by the supply chain
4	Scope 3 emissions	Indirect emissions produced by the supply chain
5	Scope 2 emissions	Indirect emissions from purchased energy

LO: 3

AC: 3.4