

SOP: Contract Preparation, Review, and Approval

This SOP defines the process for **contract preparation, review, and approval**, covering the drafting of contract terms, thorough review for accuracy and compliance, negotiation guidelines, and final approval steps. It ensures all contracts meet legal and organizational standards, minimize risks, and facilitate clear agreement between parties before execution.

1. Purpose

To establish standardized procedures for preparing, reviewing, negotiating, and approving contracts to safeguard the interests of the organization and comply with applicable laws and policies.

2. Scope

This procedure applies to all employees and departments involved in the initiation, preparation, review, negotiation, and approval of contracts with external parties.

3. Roles & Responsibilities

Role	Responsibility
Contract Owner	Initiates contract, coordinates input, and monitors progress.
Legal Department	Reviews contract for accuracy, risks, and compliance.
Finance Department	Reviews for financial terms and budget alignment.
Management/Approver	Grants final approval and authorization for execution.

4. Procedure

- Contract Preparation**
 - Identify the need for a contract and obtain initial approval from relevant stakeholders.
 - Draft contract using organizational templates where available, ensuring all required terms and details are included.
 - Identify and list all parties to the contract.
- Internal Review**
 - Submit draft contract to the Legal Department for legal review and risk assessment.
 - Route to Finance Department for review of payment terms and budgetary compliance (if applicable).
- Negotiation**
 - Share the reviewed draft with the counterparty for their comments or revisions.
 - Facilitate negotiations, keeping a record of all changes and discussions.
 - Ensure all negotiated changes are tracked and incorporated into the contract draft.
- Final Review & Approval**
 - Obtain final review by the Legal and relevant department heads.
 - Seek approval signatures in accordance with the organization's approval matrix or delegation of authority.
- Execution & Storage**
 - Ensure all parties sign the contract (wet ink or electronic as permitted).
 - Store fully executed contract in the designated contract repository and share copies with all relevant stakeholders.

5. Documentation & Records

- Drafts, final contracts, approval documents, and communications must be retained in accordance with the organization's record retention policy.

6. Review & Revision

- This SOP should be reviewed annually or as necessary to incorporate legal or regulatory changes.

7. References

- Organizational contract templates
- Delegation of Authority Matrix
- Record Retention Policy
- Legal and regulatory requirements relevant to contracts