

# Standard Operating Procedure (SOP): Service Contract Initiation and Approval Process

This SOP defines the **service contract initiation and approval process**, detailing the steps for drafting, reviewing, and approving service contracts to ensure compliance with company policies and legal requirements. It includes roles and responsibilities for contract initiation, documentation standards, review procedures, approval authorities, and communication protocols to facilitate efficient and transparent contract management, ultimately ensuring mutually agreed service terms and minimizing risks associated with service engagements.

## 1. Purpose

To establish a standardized process for initiating, reviewing, and approving service contracts to ensure consistency, legal compliance, and effective risk management.

## 2. Scope

This SOP applies to all departments and personnel involved in the preparation, review, and approval of service contracts with third parties.

## 3. Roles and Responsibilities

Role	Responsibility
Contract Initiator	Identifies the need for a service contract, gathers requirements, and initiates the process.
Department Head	Reviews and endorses contract requests, ensuring alignment with department objectives.
Legal Department	Reviews draft contracts for legal compliance and risk mitigation, recommends amendments as required.
Finance Department	Verifies compliance with budgeting, payment terms, and financial policies.
Approving Authority	Final sign-off and approval in accordance with company delegation of authority matrix.
Contract Administrator	Ensures proper record keeping, archives executed contracts, and communicates approvals.

## 4. Procedure

- Initiation**
  - Contract Initiator completes Contract Initiation Form (CIF) and gathers all required background information.
  - Department Head reviews and endorses the CIF.
- Drafting**
  - Contract Initiator drafts the service contract using company-approved templates.
  - If deviations from standard terms are required, justification must be provided.
- Internal Review**
  - Legal Department reviews draft for compliance with legal requirements and risk exposure.
  - Finance Department reviews contract for budget and financial terms.
- Amendments & Feedback**
  - Comments and required changes are documented and incorporated into the revised contract.
- Approval**
  - Finalized contract submitted to Approving Authority as per company's delegation of authority (DoA) matrix.
  - Upon approval, contract is signed by authorized signatories from both parties.
- Record Keeping & Communication**
  - Contract Administrator archives the executed contract and updates contract management records.
  - Relevant stakeholders are notified of contract activation.

## 5. Documentation Standards

- All drafts and communications must be documented and stored in the contract management system.
- Executed contracts must be archived both digitally and physically, as required by company policy.
- Version control must be maintained during drafting and review stages.

## **6. Communication Protocols**

- Key updates to be communicated via email or the contract management platform to all involved parties.
- Escalations for unresolved issues should follow the company's escalation matrix.

## **7. Related Documents & References**

- Contract Initiation Form (CIF)
- Service Contract Template(s)
- Delegation of Authority (DoA) Matrix
- Company Policy Manual
- Legal and Regulatory Compliance Guidelines

## **8. Revision and Review**

- This SOP will be reviewed annually or upon significant change in policy or regulations.
- All updates must be approved by the Legal and Compliance Department.