

SOP: Vendor Contract Negotiation and Documentation

This SOP details the process of **vendor contract negotiation and documentation**, covering preparation and planning, negotiation strategies, compliance and risk assessment, contract drafting and review, approval workflows, and proper documentation and record-keeping. The objective is to establish clear, fair, and legally binding agreements with vendors that protect organizational interests while fostering strong business relationships.

1. Purpose

To provide a standardized approach for negotiating, drafting, approving, and documenting vendor contracts, ensuring compliance, risk mitigation, and effective vendor management.

2. Scope

This SOP applies to all employees involved in vendor selection, contract negotiation, drafting, and management processes within the organization.

3. Responsibilities

Role	Responsibility
Contract Owner / Requestor	Initiate contract process, identify requirements, perform initial risk assessment.
Procurement / Legal Team	Lead negotiations, review and draft contracts, ensure compliance with regulations and policies.
Approving Authority	Review contract for final approval and sign-off.
Document Controller	Maintain records of all executed contracts and related documentation.

4. Procedure

- 1. Preparation and Planning**
 - Identify business requirements and scope of goods/services required.
 - Research potential vendors and gather company background information.
 - Define negotiation objectives, priorities, acceptable terms, and deal-breakers.
 - Assemble negotiation team and assign roles.
- 2. Negotiation Strategies**
 - Engage vendors to discuss preliminary terms and expectations.
 - Apply negotiation techniques to achieve favorable terms (pricing, delivery, warranties, etc.).
 - Document all material changes and agreements reached during negotiation.
- 3. Compliance and Risk Assessment**
 - Assess contract terms for compliance with organizational policies and relevant legal requirements.
 - Conduct risk analysis for liability, confidentiality, data security, and performance obligations.
 - Consult with Risk Management/Legal as required.
- 4. Contract Drafting and Review**
 - Prepare draft contract incorporating all negotiated terms and standard clauses.
 - Circulate draft for internal review (Legal, Finance, relevant stakeholders).
 - Negotiate/revise contract as needed based on feedback.
- 5. Approval Workflows**
 - Submit final contract for required approvals as per Delegation of Authority (DoA).
 - Secure necessary signatures from internal approvers and the vendor.
- 6. Documentation and Record-Keeping**
 - Store executed contract and related correspondence in a centralized, secure repository.
 - Log contract details in the contract management system.
 - Monitor contract compliance, renewals, and key dates throughout contract lifecycle.

5. References

- Organizational Procurement Policy
- Legal and Compliance Guidelines
- Delegation of Authority Matrix

- Contract Templates Library

6. Revision History

Version	Date	Description	Author
1.0	2024-06-12	Initial Release	SOP Team