

Standard Operating Procedure (SOP): Vendor Sourcing, Negotiation, and Contracting

This SOP details the processes for **vendor sourcing, negotiation, and contracting**, including identifying potential suppliers, evaluating vendor capabilities and reliability, conducting price and terms negotiations, drafting and reviewing contract agreements, and finalizing vendor selection. The objective is to establish mutually beneficial partnerships that ensure quality, cost-effectiveness, and timely delivery of goods and services while mitigating risks and ensuring compliance with organizational policies.

1. Purpose

To outline standardized procedures for the identification, assessment, negotiation, and contracting of vendors to ensure quality, compliance, and value for the organization.

2. Scope

This SOP applies to all departments involved in the procurement of goods and services requiring vendor engagement.

3. Roles & Responsibilities

Role	Responsibility
Procurement Team	Oversee sourcing, qualification, and evaluation of vendors.
Requesting Department	Define requirements and participate in vendor evaluation.
Legal/Compliance	Review and approve contractual agreements.
Finance	Approve budgets and review financial terms.
Senior Management	Final approval of vendor selection and contracts (if required).

4. Procedure

4.1 Vendor Sourcing

- Identify requirements and specifications from requesting department.
- Research and create a list of potential vendors using market intelligence, references, and existing databases.
- Issue Request for Information (RFI), Request for Quotation (RFQ), or Request for Proposal (RFP) as appropriate.
- Document all sourcing activities.

4.2 Vendor Evaluation

- Collect and review responses from vendors.
- Evaluate vendors based on:
 - Capability & capacity
 - Quality standards & certifications
 - Pricing and commercial terms
 - Reputation & reliability
 - Financial stability
 - Compliance with regulatory requirements
- Shortlist and score vendors using a standardized evaluation matrix.

4.3 Negotiation

- Initiate negotiations with shortlisted vendors on pricing, delivery timelines, payment terms, services, and warranties.
- Document all negotiation points and outcomes.
- Ensure alignment with organization's cost, quality, and risk objectives.

4.4 Contracting

- Draft contract agreements incorporating agreed terms, service level agreements, deliverables, penalties, and compliance clauses.

- Submit contracts to the legal/compliance team for review.
- Address feedback and make necessary revisions.
- Ensure contracts are signed by duly authorized representatives.

4.5 Final Vendor Selection & Onboarding

- Obtain necessary final approvals as per organizational authority matrix.
- Notify selected vendor and arrange onboarding, orientation, and data entry into vendor management systems.
- Communicate outcomes to unsuccessful vendors professionally.

5. Documentation & Record Keeping

- Maintain all documents: RFPs/RFQs, evaluation matrices, negotiation records, contracts, and approval notes for audit, reference, and compliance purposes.
- Store files securely as per organizational policy.

6. Controls & Compliance

- Ensure all processes adhere to company procurement policy, ethical standards, and legal requirements.
- Periodically review and audit the vendor sourcing and contracting process for effectiveness and compliance.

7. Revision & Review

- This SOP should be reviewed annually or as required by regulatory or business changes.

8. References

- Procurement Policy Manual
- Delegation of Authority Matrix
- Applicable legal and compliance guidelines

Effective Date: [Insert Date]

Prepared by: [Name/Department]

Approval: [Name/Designation]