

Standard Operating Procedure (SOP): Vendor Sourcing and Contract Management

This SOP details **vendor sourcing and contract management** processes, encompassing vendor identification and evaluation, vendor selection criteria, contract negotiation and drafting, compliance and risk assessment, performance monitoring and evaluation, as well as contract renewal and termination procedures. The goal is to establish effective partnerships with reliable vendors while ensuring favorable terms, cost efficiency, and adherence to company policies and legal regulations.

1. Purpose

To ensure a standardized, transparent, and effective approach to vendor sourcing and contract management that supports company objectives while mitigating risks.

2. Scope

This SOP applies to all departments involved in the procurement, management, and evaluation of third-party vendors and suppliers.

3. Responsibilities

Role	Responsibility
Procurement Team	Lead vendor sourcing, evaluation, and contract negotiations
Legal Team	Review and approve contract terms; ensure legal compliance
Department Head/Requestor	Define requirements, participate in evaluation, monitor performance
Compliance/Risk Function	Conduct due diligence and risk assessments

4. Procedure

1. Vendor Identification and Evaluation

- Define requirements and specifications for the needed goods/services.
- Research and shortlist potential vendors through market research, RFIs, or referrals.
- Request and collect relevant information (company profile, references, certifications).
- Assess vendors using a standardized evaluation form/checklist.

2. Vendor Selection Criteria

- Experience and reputation in the market
- Financial stability and capacity
- Compliance with legal, regulatory, and ethical standards
- Cost-effectiveness and value offerings
- Quality assurance and support services
- Environmental and social responsibility (if applicable)

3. Contract Negotiation and Drafting

- Negotiate key terms (pricing, delivery, payment, SLAs, warranties, confidentiality, penalties).
- Draft contract based on standard templates.
- Obtain reviews from Legal and relevant stakeholders.

- Secure authorized signatures.

4. Compliance and Risk Assessment

- Perform background checks, review certifications, and confirm regulatory compliance.
- Assess business, financial, legal, and operational risks.
- Address findings in contract clauses or through risk mitigation measures.

5. Performance Monitoring and Evaluation

- Monitor contract deliverables and performance against agreed SLAs and KPIs.
- Conduct regular performance reviews and document findings.
- Address issues or non-conformities through corrective action plans.

6. Contract Renewal and Termination

- Initiate renewal or re-tendering 60-90 days before contract end.
- Evaluate vendor performance before renewal decision.
- Follow formal processes for non-renewal or early termination, ensuring compliance with contract terms and documentation requirements.

5. Documentation

- Maintain all vendor records, contracts, assessments, and correspondence securely.
- Ensure access is limited to authorized personnel.
- Retain records according to company policy and legal requirements.

6. Revision and Review

- Review this SOP annually or upon significant process updates.
- Document and communicate revisions to all stakeholders.

7. References

- Company Procurement Policy
- Contract Management Guidelines
- Applicable legal and regulatory frameworks

SOP Owner: Procurement

Effective Date: [Insert Date]

Version: 1.0