

# SOP: Vendor Identification, Vetting, and Contract Management

This SOP details the process of **vendor identification, vetting, and contract management**, covering vendor sourcing and selection criteria, thorough background and compliance checks, evaluation of vendor capabilities and performance, negotiation and finalization of contracts, ongoing vendor relationship management, and periodic contract reviews and renewals. The goal is to ensure the procurement of reliable and compliant vendors while maintaining effective contractual agreements that support organizational objectives and mitigate risks.

## 1. Purpose

To establish a standardized approach for identifying, evaluating, and managing vendors to ensure compliance, reliability, and achievement of organizational objectives.

## 2. Scope

This SOP applies to all departments involved in vendor sourcing, assessment, selection, contract negotiation, and ongoing vendor management.

## 3. Roles & Responsibilities

Role	Responsibilities
Procurement Team	Identifies and vets vendors, manages contracts, monitors performance.
Department Heads	Define requirements and approve vendor selection.
Legal Team	Reviews and approves contractual terms and conditions.
Compliance Officer	Conducts compliance and regulatory checks.

## 4. Procedure

### 4.1 Vendor Identification & Sourcing

- Gather requirements from internal stakeholders.
- Source potential vendors via market research, recommendations, or tender invitations.
- Develop a long-list of potential vendors.

### 4.2 Vendor Selection Criteria

- Evaluate based on capability, experience, financial stability, reputation, compliance status, and value for money.
- Document selection criteria and scoring methodology.

### 4.3 Background & Compliance Checks

- Conduct due diligence including: references, financial audits, legal compliance, and certification checks.
- Review against banned/sanctioned entity lists.

### 4.4 Evaluation of Capabilities & Performance

- Request for information (RFI) or proposals (RFP) as needed.
- Assess capabilities via presentations, demos, site visits, or pilot projects where appropriate.

### 4.5 Negotiation & Contract Finalization

- Negotiate terms aligning with organizational policies, risk tolerance, and service level expectations.
- Obtain legal review and approval for contractual documents.
- Secure signatures from authorized representatives of both parties.

## **4.6 Ongoing Vendor Relationship Management**

- Assign relationship managers as needed.
- Monitor performance using KPIs and regular reviews.
- Document and address issues, manage escalations.

## **4.7 Contract Review & Renewal**

- Periodically review contract performance, compliance, and relevance.
- Initiate renewal negotiations in advance, or manage contract closure/termination as needed.
- Update documentation and vendor records accordingly.

## **5. Documentation & Records**

- Maintain records of vendor assessments, contracts, performance reviews, and communications.
- Store documentation securely in compliance with organizational and legal policies.

## **6. Review & Continuous Improvement**

- Conduct regular audits of vendor management process.
- Implement feedback and improve procedures as needed.

## **7. References**

- Organizational Procurement Policy
- Legal & Regulatory Compliance Requirements