SOP Template: Contract Renewal and Termination Procedures

This SOP details the **contract renewal and termination procedures**, covering the processes for reviewing contract terms, initiating renewal discussions, obtaining necessary approvals, and formalizing contract extensions. It also outlines the steps for contract termination, including notification requirements, compliance with legal and organizational policies, and proper documentation to ensure clarity and protection for all parties involved. The goal is to maintain transparent, efficient, and legally compliant contract management throughout the contract lifecycle.

1. Purpose

To establish consistent procedures for the renewal and termination of contracts, ensuring compliance with legal and organizational requirements and minimizing risks.

2. Scope

This SOP applies to all contracts managed by [Organization Name], including but not limited to vendor, service, employment, and partnership agreements.

3. Responsibilities

Role	Responsibility
Contract Manager	Monitor contract timelines, initiate renewal/termination workflow, coordinate approvals.
Relevant Department Heads	Review contract performance and recommend renewal or termination.
Legal Department	Review contract terms, ensure compliance, and provide legal sign-off.
Finance Department	Review cost implications and budget allocations for renewals or terminations.
Executive Management	Final approval of renewal or termination decisions.

4. Procedure

4.1 Contract Renewal

1. **Contract Review**
   - Monitor contract expiration dates at least 90 days in advance.
   - Review contract terms, performance metrics, and compliance requirements.
2. **Initiation of Renewal**
   - Notify relevant stakeholders of upcoming expiration.
   - Set internal discussions to assess need for renewal and propose amendments.
3. **Approval Process**
   - Obtain department head recommendations.
   - Submit proposed renewal and changes for legal and finance review.
   - Secure executive sign-off.
4. **Formalization**
   - Negotiate final terms with the contract party.
   - Draft and sign the renewal/extension agreement.
   - Archive newly executed documents in the contract management system.
5. **Communication**
   - Notify internal and external parties of renewed contract and key changes.

4.2 Contract Termination

1. **Contract Evaluation**
   - Identify grounds for termination (expiration, breach, mutual agreement, etc.).
   - Review terms and notice periods as per the contract.
2. **Approval Process**
   - Prepare termination justification and obtain department head, legal, and executive approvals.
3. **Notice of Termination**
   - Draft and issue formal written notice to the contracting party as per the agreed notice period (registered

mail/email as legally required).
- Track acknowledgment and responses from the contract party.

4. **Compliance & Transition**
   - Ensure fulfillment of all contractual obligations prior to termination (final payments, return of materials, data, etc.).
   - Document and manage transfer or transition plans as necessary.

5. **Documentation & Archiving**
   - Record termination details and correspondence in the contract management system.
   - Retain records in accordance with organizational policy and legal requirements.

6. **Notification**
   - Inform all relevant internal stakeholders of the contract termination and its implications.

5. Documentation

- Contract Renewal/Termination Checklist
- Contract Renewal Proposal Form
- Termination Notification Letter Template
- Record of Approvals
- Contract Amendment or Release Agreements

6. Compliance

All renewal and termination actions must comply with organizational policies, local laws, and regulations. Non-compliance may result in legal or financial liability.

7. Revision & Review

This SOP should be reviewed annually or as needed to ensure continued relevance and compliance.