

# Standard Operating Procedure (SOP): Supplier Selection and Onboarding

This SOP details the **supplier selection and onboarding procedures**, covering criteria for evaluating potential suppliers, the approval process, due diligence and compliance checks, contract negotiation and agreement, integration into company systems, and initial performance assessments. The objective is to establish a reliable supplier base by ensuring quality, compliance, and alignment with organizational standards from the beginning of the partnership.

## 1. Purpose

To establish standardized procedures for the selection, approval, and onboarding of suppliers, ensuring high quality, compliance, and performance from the outset.

## 2. Scope

This SOP applies to all employees involved in supplier selection, evaluation, and onboarding processes across all business units.

## 3. Responsibilities

- **Procurement Team:** Lead the selection, due diligence, onboarding, and monitoring processes.
- **Quality Assurance:** Verify supplier compliance with quality standards.
- **Legal Department:** Review and facilitate contract negotiation and agreements.
- **Finance Department:** Assess supplier financial stability and approve vendor setups.
- **Relevant Department Heads:** Provide input and approve shortlisted suppliers.

## 4. Procedure

### 4.1 Supplier Identification and Prequalification

1. Identify potential suppliers through market research, recommendations, existing supplier lists, or open tenders.
2. Request initial information via supplier questionnaires.
3. Screen suppliers against basic criteria:
  - Business registration and licenses
  - Product/service offering and capabilities
  - Relevant industry experience

### 4.2 Evaluation & Selection Criteria

- Quality certifications (e.g., ISO 9001)
- Pricing and payment terms
- Delivery capabilities and timelines
- Compliance with legal, environmental, and social standards
- Financial stability
- References and reputation
- Technical capabilities and capacity

### 4.3 Due Diligence & Compliance Checks

1. Review legal documents, business licenses, and tax certificates.
2. Perform background checks (sanctions, blacklists, outstanding litigations).
3. Assess compliance with company code of conduct and relevant regulations.
4. Audit sites if necessary.

### 4.4 Approval Process

1. Prepare supplier evaluation report and recommended suppliers.
2. Obtain cross-functional input and approval from relevant departments.
3. Document all approvals and retain records.

### 4.5 Contract Negotiation and Agreement

- 1. Negotiate terms and define scope of supply, pricing, quality standards, confidentiality, and delivery schedules.
- 2. Ensure all contracts are legally reviewed.
- 3. Sign the agreement by authorized representatives from both parties.
- 4. Register the contract in the contract management system.

4.6 Onboarding and Integration

- 1. Set up the supplier in relevant company systems (ERP, procurement, payment, etc.).
- 2. Provide initial training or orientation on company processes and expectations.
- 3. Share required documentation (PO procedures, invoicing guidelines, points of contact).
- 4. Assign internal contacts for ongoing support.

4.7 Initial Performance Assessment

- 1. Monitor first deliveries or service performance against agreed KPIs.
- 2. Collect feedback from relevant stakeholders.
- 3. Address any issues promptly and document corrective actions.
- 4. Confirm full supplier activation after successful probationary period (if applicable).

5. Records and Documentation

Document	Retention Period	Responsible
Supplier questionnaires and evaluations	5 years	Procurement
Due diligence reports	5 years	Procurement/Legal
Approval documents	5 years	Procurement
Contracts	As per company policy	Legal
Performance logs	3 years	Procurement/Quality

6. Revision History

Version	Date	Description of Changes	Approved By
1.0	2024-06-01	Initial version	Head of Procurement