

# SOP Template: Vendor Selection and Contract Management

This SOP details the **vendor selection and contract management** process, covering criteria for evaluating potential suppliers, procedures for supplier qualification and approval, negotiation and finalization of contract terms, performance monitoring, compliance management, periodic review, and renewal or termination of contracts. The goal is to establish reliable partnerships, ensure value for money, mitigate risks, and maintain transparent and effective vendor relationships throughout the contract lifecycle.

## 1. Purpose

To define a standardized process for selecting vendors and managing contracts to ensure the organization engages with reliable suppliers, achieves value for money, and manages risks effectively throughout the vendor relationship lifecycle.

## 2. Scope

This SOP applies to all departments involved in the procurement, selection, management, and evaluation of external vendors and related contracts.

## 3. Responsibilities

- **Procurement Department:** Oversight of vendor selection, contract management, and performance evaluation.
- **Department Managers:** Identify business needs, participate in supplier evaluation, and monitor vendor performance.
- **Legal/Compliance Team:** Review and approve contract terms and ensure regulatory compliance.
- **Finance Department:** Validate financial stability of vendors and approve payments.

## 4. Procedure

### 1. Identify Need

- Initiate a request specifying goods/services required and desired outcomes.

### 2. Define Vendor Evaluation Criteria

- Experience & industry reputation
- Technical capability & capacity
- Quality assurance and certifications
- Financial stability
- Cost competitiveness
- Compliance with legal and regulatory requirements
- Track record (references, past performance)

### 3. Source and Shortlist Vendors

- Issue RFP/RFQ/RFI as needed.
- Assess vendor responses and prepare a shortlist based on set criteria.

### 4. Vendor Qualification and Approval

- Conduct due diligence (background checks, compliance screening, financial assessment).
- Request and review supporting documentation (licenses, certificates, insurance, etc.).
- Obtain necessary internal approvals for selected vendors.

### 5. Negotiate and Finalize Contract Terms

- Negotiate terms and conditions (pricing, scope, timelines, deliverables, SLAs, penalties for non-performance, etc.).
- Legal/compliance review and approval.

- Obtain authorized signatures from both parties.

6. **Monitor Vendor Performance and Compliance**

- Track key performance indicators and contract compliance.
- Document and address non-conformities or disputes.

7. **Periodic Review and Reporting**

- Conduct regular performance reviews and compliance audits.
- Maintain documentation of reviews, findings, and corrective actions.

8. **Contract Renewal or Termination**

- Initiate renewal process ahead of contract expiration, subject to satisfactory performance.
- Follow contract termination procedures as necessary, ensuring obligations are met.
- Archive contract documents in accordance with retention policies.

5. **Documentation**

- Vendor evaluation checklists and reports
- Due diligence records
- Signed contracts and amendments
- Performance monitoring logs
- Compliance/audit reports
- Renewal/termination notices

6. **References**

- Procurement Policy
- Code of Conduct
- Legal and Compliance Manual

7. **Revision History**

Version	Date	Description	Author
1.0	2024-06-28	Initial SOP template created	Procurement Team