THE PROCUREMENT PLAYBOOK SERIES

The Procurement Contract Review Checklist

This checklist guides you on what to check at every stage of a supplier contract, before you sign and before you renew. It also contains 10 examples of what bad looks like and how to adjust it.

01 **Prepare**

02 **Commercials**

03 **Risk & Liability**

04 **Performance**

05 **Exit & Renewal**

Run it before you sign. Run it again before you renew.

PT | Procurement Tactics

HOW TO USE THIS CHECKLIST

Use it before you sign, and again before you renew

A supplier contract sets your prices, your risk and your exit options for years, so it is worth reviewing properly before you sign and again before it renews. This checklist splits that review into five stages, in the order you would normally work through them. Start with Prepare before you open the document, so you know what the business needs and what you are willing to accept. Keep Commercials, Risk and Liability, and Performance next to you while you read, and tick off each point as you find it in the contract. Complete Exit and Renewal on the day you sign rather than when the contract is about to end, because notice periods and renewal dates are easy to miss once the contract is running.

At the end of the checklist you will find ten common clauses, each with an example of good wording and an example of wording that should make you stop and renegotiate. The checklist shows you what to look for, but it does not explain the reasoning behind each point. That is covered in our Contract Management Course, which takes you through the full contract lifecycle, the legal fundamentals, the key clauses and the scorecard templates you can use with your own suppliers.

Every item carries a tag. **N** means it matters for a new contract, **R** for a renewal, **B** for both. N R B

Short on time? Check these 10 critical points

- 01 ☐ The pricing mechanism and total price match what you negotiated.
- 02 ☐ Every negotiated discount, rebate and bonus is written into the contract.
- 03 ☐ The price adjustment clause names an index, works both ways and has a cap.
- 04 ☐ The liability cap is a number, and you know which liabilities stay uncapped.
- 05 ☐ The supplier indemnifies you against IP infringement and product claims.
- 06 ☐ Supplier terms and conditions do not override your contract (order of precedence).
- 07 ☐ Governing law and jurisdiction are stated and acceptable.
- 08 ☐ KPIs are measurable and have a consequence when missed.
- 09 ☐ Termination triggers are specific and include a remedy period.
- 10 ☐ You know the renewal mechanism and the notice deadline.

For low-value, low-risk contracts these ten are enough. Use the full checklist for contracts that are high value, long term or critical to operations.

A NOTE ON THE STRUCTURE

The five stages follow the contract management lifecycle taught in the course. Preparation and the essential elements feed Prepare. Terms, deliverables and pricing feed Commercials. The legal clause set feeds Risk and Liability. The balanced scorecard and SLA material feeds Performance. Exit clauses, termination and renewal feed Exit and Renewal.

ONE THING THIS CHECKLIST IS NOT

It is not legal advice and it does not replace your legal team. It is the commercial review that happens first, so that the questions reaching legal are the ones that actually need a lawyer.

CONTRACT NAME	SUPPLIER	CONTRACT VALUE
REVIEWER	DATE	REVIEW TYPE: NEW / RENEWAL

01 STAGE

Prepare

GOAL **Know what you are looking for before you open the file, so the review is a process and not a reading exercise.**

WHAT YOU SHOULD DO

- [ ] Work from the exact version: the final draft the supplier will sign, or the signed original with all amendments. **B**
- [ ] Write down the trigger for this review: new contract, renewal, dispute, or audit. It decides what you are looking for. **B**
- [ ] Name the contract owner. If nobody owns it, the review has no destination. **B**
- [ ] Decide up front who needs to be involved: legal, finance, the end user, or nobody. **B**
- [ ] Confirm who is authorised to sign on both sides. **B**
- [ ] Log the basics first: contract ID, type, status, effective date, expiry date, value. **B**
- [ ] Classify the pricing mechanism: fixed price, cost reimbursable, or time and materials. **B**
- [ ] Gather the supplier's performance data for the period, so the review is evidence based. **R**
- [ ] Give yourself lead time. Assume internal approval takes longer than the negotiation did. **B**
- [ ] If you use AI for a first pass, give it the contract, the scorecard and your standard terms together. A contract on its own produces a summary, not a review. **B**

WHAT YOU SHOULD KNOW

The three essential elements. Terms, Deliverables, and Pricing. Every clause belongs to one of them. If you cannot place a clause, you have found either boilerplate or a problem.

The lifecycle sets the question. Pre-award, award, post-award. A review before signature and a review before renewal ask very different things of the same document.

Time to signature is always underestimated. In a large organisation a contract can take months to clear internal and external checks. Treat nothing as final until it is signed, but remember that in many jurisdictions emails and conduct can already bind you.

02 STAGE

Commercials

GOAL **Confirm the money works the way you negotiated it, and that nothing agreed in the room went missing on the way to the page.**

WHAT YOU SHOULD DO

- [ ] Check the total price follows from unit price times quantity, with no rounding you cannot explain. **B**
- [ ] Confirm taxes, VAT, duties and tariffs are explicitly assigned, especially across borders. **B**
- [ ] Confirm the payment schedule: method, deadlines, down payment, and milestones. **B**
- [ ] Confirm milestone payments are tied to deliverables, not to calendar dates. **B**
- [ ] Check any late payment interest you owe is no higher than the statutory rate, and that late delivery by the supplier carries a penalty or liquidated damages as a number, not a sentiment. **B**
- [ ] Find the price adjustment clause and confirm it names an external index. Without a named index, the supplier decides the price. **B**
- [ ] Check every discount and rebate you negotiated actually appears in the document. **B**
- [ ] Find the entire agreement clause and confirm every side deal (rebates, bonuses, contributions) is written into the document or a signed annex. **B**
- [ ] Confirm scope, specifications, quantities and quality standards are exact enough to prevent scope creep. **B**
- [ ] Confirm how changes to scope, volume or price are agreed: a written change procedure signed by both parties. **B**
- [ ] Check volume commitments, minimum purchase obligations and exclusivity, and what you pay if volumes fall short. **B**
- [ ] Confirm the delivery schedule, locations, and minimum and maximum order quantities. **B**
- [ ] Confirm the point at which ownership and risk pass to you. **B**
- [ ] Confirm the inspection and acceptance process, and what happens when you reject. **B**

WHAT YOU SHOULD KNOW

Price is not the same as the pricing mechanism. Fixed price, cost reimbursable and time and materials each give you a different amount of control. Confirm the document matches what you actually agreed.

The most common failure is not a bad clause. It is a good clause that was agreed verbally and never written down. Rebates, growth bonuses, marketing contributions, packaging and logistics terms all disappear this way. If the contract has an entire agreement clause, anything not in the document is legally gone.

Vague scope is expensive later. A poorly defined contract leads to scope creep, where requirements expand well beyond the original agreement and nobody can point at the line that stops it.

03 STAGE

Risk and Liability

GOAL **Know exactly what you are exposed to, and check that the clauses meant to limit it are actually doing their job.**

WHAT YOU SHOULD DO

- [ ] Find the limitation of liability cap and write the number down. **B**
- [ ] Check which losses are excluded altogether, such as indirect or consequential loss and lost profit, and whether that exclusion applies to both parties. **B**
- [ ] Check which liabilities stay uncapped. Typical examples are fraud, wilful misconduct, death or personal injury, breach of confidentiality, data protection breaches and the IP indemnity. **B**
- [ ] Check the force majeure clause: are price or cost increases excluded, is there a notice and mitigation duty, and can you terminate if the event lasts longer than an agreed period (for example 60 or 90 days)? **B**
- [ ] Confirm the indemnification clause and identify who carries third party claims, including IP infringement. **B**
- [ ] Check which document wins if they conflict: contract, annexes, purchase orders or supplier terms and conditions (order of precedence). Reject supplier terms printed on quotes or invoices. **B**
- [ ] Confirm the governing law, the competent court or arbitration venue, and any escalation or mediation step that must happen first. **B**
- [ ] Confirm warranty duration, coverage, and the claims procedure. **B**
- [ ] If the supplier processes personal data for you, confirm a data processing agreement (GDPR Art. 28) is in place. **B**
- [ ] Confirm who owns the intellectual property in anything made for you, and that you have the licences you need. **B**
- [ ] Check whether the supplier may subcontract or transfer the contract without your written consent. **B**
- [ ] Confirm the supplier's insurance cover matches the liability cap. **B**
- [ ] Where relevant to your sector, confirm compliance obligations: anti-bribery, sanctions and supply-chain due diligence. **N**
- [ ] Check for a right to audit clause. If it is missing, that is a gap worth naming out loud. **B**
- [ ] Confirm confidentiality obligations survive termination. **B**
- [ ] Consider a performance bond or guarantee for a new or high risk supplier. **N**
- [ ] Cross-check the risk clauses against your risk register for this supplier. They should agree. **B**

WHAT YOU SHOULD KNOW

Limitation of liability, defined. "Sets a cap on how much one party can be held financially accountable if they breach the contract or fail to perform as agreed." The cap is only half the clause. The other half is which losses are excluded, and which liabilities sit outside the cap altogether.

Force majeure, in the course's words: an event must be unforeseeable, external to the contract parties, and serious enough to make performance impossible. How strictly this applies depends on the governing law and on how the clause is written, so read the clause itself.

Indemnification: a promise by one party to cover specified losses or third-party claims suffered by the other, typically claims caused by its products, services or breach. Check exactly which claims are covered and whether they fall inside the liability cap.

04 STAGE

Performance

GOAL **Turn the contract from a document into something you can measure, then check whether you have actually been measuring it.**

WHAT YOU SHOULD DO

- [ ] Extract every KPI actually written into the contract, not the ones you wish were. **B**
- [ ] Test each against SMART, and reject the vague ones while you can still change them. **B**
- [ ] Record target, actual and variance for each, with a clear status. **R**
- [ ] For every missed KPI, check whether a penalty or rebate clause is attached to it. **R**
- [ ] Where one is, calculate what you could have claimed and never did. **R**
- [ ] Cover all four perspectives, not only the financial ones. **B**
- [ ] Confirm the SLA sets performance standards, tracks them, defines remedies, and allows exit for sustained underperformance. **B**
- [ ] Confirm a single point of contact owns the relationship and the escalation. **B**
- [ ] Check the escalation clause exists and names who escalates to whom. **B**
- [ ] Check it has been used where it should have been. **R**

WHAT YOU SHOULD KNOW

Every KPI should pass SMART. Specific, measurable, achievable, relevant, time bound. Vague performance language is unenforceable performance language, and you can only fix it before signature.

A balanced view has four perspectives. Finance, People, Processes, and Customer or Supplier. A contract scored on cost alone tells you a quarter of the story.

A penalty clause only exists if someone invokes it. Missed targets and unclaimed rebates can sit quietly in a contract for years. Nobody is reminded automatically.

05 STAGE

Exit and Renewal

GOAL **Make sure the contract ends, renews or changes because you decided it should, not because a date passed.**

WHAT YOU SHOULD DO

- [ ] Find the term, the expiry date, and the renewal mechanism. **B**
- [ ] Check for a silent extension or evergreen clause. **B**
- [ ] Confirm the notice period, the form (in writing, by which method) and the address it must be served on. **B**
- [ ] Confirm the termination triggers are specific rather than "for cause". **B**
- [ ] Confirm there is a remedy or grace window before termination bites. **B**
- [ ] Check whether you can terminate for convenience, at what notice and at what cost. **B**
- [ ] Confirm exit assistance: handover, data return and continued supply during the transition. **B**
- [ ] Run the performance evaluation before the renewal conversation, never after it. **R**
- [ ] Bring the improvement log to the renewal, ranked by priority. It sets the agenda. **R**
- [ ] If you terminate, follow the clause procedure exactly. Informal exits become disputes. **R**

WHAT YOU SHOULD KNOW

Silent extension, defined. "A clause that automatically renews the contract at the end of the term unless one party actively cancels or changes it." Often called evergreen. The contract keeps rolling into new terms without anyone acting.

Exit clauses have four common triggers. Failure to meet obligations, continued underperformance, insolvency, and mutual agreement. "For cause" on its own is not a trigger; it is an argument waiting to happen.

Renewal without evaluation is not a decision. It is a default. The performance evaluation is the input to the renew or terminate call, not a formality after it. Walk in with the scorecard and a ranked list of what you want changed, and you are negotiating rather than renewing.

After you sign: set this up in 10 minutes

- [ ] Log contract ID, owner, value, expiry date and renewal option in your central contract register.
- [ ] Book the first quarterly review, with the scorecard as the agenda.
- [ ] Once a year: check every active supplier in the category has a valid contract.
- [ ] Put the notice deadline in the calendar, with a reminder 3 months before it.
- [ ] Schedule a periodic invoice audit against the contract prices.

REVIEW FINDINGS

What you found, and what happens to it

One row per issue. Action is one of: **Fix with supplier** / **Send to legal** / **Accept**. Only the questions that actually need a lawyer go to legal.

#	PAGE / CLAUSE	ISSUE	ACTION	OWNER	DUE DATE
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

GREEN FLAGS AND RED FLAGS

10 red flag examples and their quick fix

Illustrative wording, not model clauses. Adapt to your governing law and check with legal.

CLAUSE	● RED FLAG: WHAT BAD LOOKS LIKE	● GREEN FLAG: WHAT GOOD LOOKS LIKE
Price adjustment STAGE 2	*"The supplier may adjust prices to reflect changes in its costs."* **WHY IT'S A PROBLEM** No index, no cap, one direction only.	"Prices are adjusted once a year by the change in [named index, e.g. Eurostat HICP], measured from [base month]. Adjustments apply both up and down and are capped at 4% per year."
Payment terms STAGE 2	*"50% on signature, balance on delivery."* **WHY IT'S A PROBLEM** Payment is tied to dates or signature, not to accepted work.	"Payment within 30 days of a correct invoice. Milestone payments are due only after written acceptance of the related deliverable."
Scope STAGE 2	*"Services as described in the supplier's proposal."* **WHY IT'S A PROBLEM** Scope sits in a sales document you cannot control.	Specifications, quantities, quality standards and acceptance criteria are in a numbered annex. Changes need a written change request signed by both parties.
Limitation of liability STAGE 3	*"The supplier's total liability shall not exceed the fees paid in the previous three months."* **WHY IT'S A PROBLEM** A low cap with no exclusions.	The cap is linked to contract value (for example 100 to 150% of annual fees), applies to both parties, and fraud, personal injury, confidentiality, data protection and IP claims are excluded from it.
Force majeure STAGE 3	*"Any event beyond the supplier's reasonable control, including supply shortages and cost increases."* **WHY IT'S A PROBLEM** This works as an exit route for the supplier.	Named events only. Price and cost increases are excluded. Written notice within 5 working days, a duty to mitigate, and a termination right after 60 days.

GREEN FLAGS AND RED FLAGS, CONTINUED

CLAUSE	● RED FLAG: WHAT BAD LOOKS LIKE	● GREEN FLAG: WHAT GOOD LOOKS LIKE
Indemnity STAGE 3	**WHY IT'S A PROBLEM** No IP indemnity, or an indemnity that runs only from buyer to supplier.	The supplier indemnifies you against third-party IP infringement claims and claims caused by its products. The procedure for handling claims is defined.
Order of precedence STAGE 3	*"The supplier's general terms and conditions apply to all deliveries."* **WHY IT'S A PROBLEM** Or no precedence clause at all, so whichever document was sent last can end up governing the deal.	"If these documents conflict, the following order applies: (1) this agreement, (2) its annexes, (3) the purchase order. The supplier's standard terms and conditions do not apply, including where printed on a quotation, order confirmation or invoice."
KPIs and SLA STAGE 4	*"The supplier will use reasonable efforts to deliver on time."* **WHY IT'S A PROBLEM** Not measurable and no consequence.	"On-time delivery of at least 98% per calendar month, measured on the delivery date in the purchase order. Below 95% for two consecutive months triggers a service credit of 5% of monthly fees."
Renewal STAGE 5	*"Renews automatically for successive 3-year terms unless terminated in writing 12 months before expiry."* **WHY IT'S A PROBLEM** A 12-month notice window is easy to miss, and missing it locks you in for another three years.	Fixed term with renewal only by written agreement, or automatic renewal with a notice period of 3 months or less and a reminder obligation on the supplier.
Termination STAGE 5	*"Either party may terminate for cause."* **WHY IT'S A PROBLEM** No definition of cause, no remedy period, no exit support.	Named triggers (material breach not remedied within 30 days, repeated SLA failure, insolvency, change of control), plus exit assistance and data return.

Illustrative wording, not model clauses. Adapt to your governing law and check with legal.

YOUR NEXT STEP

The checklist shows you what to check. **The course teaches you why it matters.**

You have just seen what a thorough contract review covers. The Contract Management Course is where you learn the method behind it, with the full lifecycle, the legal fundamentals, the templates, and the scorecard you can run on your own supplier base.

CONTRACT MANAGEMENT COURSE

- The complete contract lifecycle: pre-award, award and post-award
- The key legal clauses explained: liability, indemnification, force majeure, exit and termination, silent extensions and indexation
- The contract management scorecard, with fillable templates
- How to choose and implement contract management tools

See what is inside the Contract Management Course →

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