

Contract Terms & Conditions Checklist



WHAT THIS TOOL IS

The Contract Terms & Conditions Checklist is a comprehensive review framework designed to help procurement professionals, legal teams, and business managers ensure all critical elements are properly addressed before executing vendor contracts. This systematic tool guides users through essential contract provisions across ten key areas, helping prevent costly oversights and ensuring adequate protection of business interests.

Important Note: This checklist provides general contract review guidelines applicable across most commercial agreements. However, contract requirements vary significantly by industry, transaction size, risk level, and jurisdiction. Complex contracts, high-value agreements, or specialized industries (healthcare, finance, government, etc.) may require additional legal provisions and regulatory compliance terms. Always consult with qualified legal counsel for contracts involving significant risk, regulatory requirements, or unfamiliar legal issues. This tool supplements but does not replace professional legal review.

WHY COMPREHENSIVE CONTRACT REVIEW IS ESSENTIAL

1 Prevents Costly Disputes:

Well-drafted contracts with clear terms and conditions significantly reduce the likelihood of misunderstandings, disputes, and litigation. Thorough review identifies potential conflict areas before they become expensive problems.

2 Protects Against Financial Risk:

Proper contract terms limit liability exposure, ensure appropriate insurance coverage, and establish clear payment terms that protect cash flow and reduce collection issues.

3 Ensures Performance Accountability:

Detailed performance standards, quality requirements, and remedies for non-performance help ensure vendors deliver what was promised on schedule and within budget.

4 Maintains Compliance:

Contracts often must address regulatory requirements, industry standards, and corporate policies. Systematic review ensures all compliance obligations are properly documented and allocated.

5 Enables Effective Contract Management:

Well-structured contracts with clear administration procedures, reporting requirements, and change processes make ongoing contract management more efficient and effective.

HOW TO USE THIS CHECKLIST EFFECTIVELY

Before Starting:

- Gather all contract documents, exhibits, and related materials. Understand the business objectives and risk tolerance for this particular agreement.

During Review:

- Use the three-tier rating system to track completeness. Don't just check for presence of terms - evaluate whether they adequately protect your interests and support business objectives.

Key Review Principles:

- Focus on substance over form - ensure terms actually accomplish their intended purpose
- Consider the vendor's perspective - unreasonable terms may signal future relationship problems
- Think beyond the initial transaction - consider long-term implications and potential changes
- Identify interdependencies - ensure different contract sections work together logically
- Document concerns clearly - provide specific recommendations for improvements

Vendor Name: _____ **Date:** _____

Contract Type: _____ **Contract Value:** _____

Reviewer: _____ **Legal Review Required:** Yes No

Instructions

Use this checklist to ensure all critical contract elements are addressed before signing. Check each item as "Included," "Not Applicable," or "Needs Attention."

Legend: ✓ = Included | **N/A** = Not Applicable | ⚠ = Needs Attention

SECTION 1: BASIC CONTRACT INFORMATION

Why This Matters: Accurate identification of parties, scope, and basic terms prevents confusion and establishes the foundation for a successful business relationship.

Parties & Scope

- Correct legal entity names for both parties ___
- Complete addresses and contact information ___
- Clear description of products/services ___
- Detailed specifications and requirements ___
- Quantities, delivery schedules, and milestones ___
- Contract term and renewal options ___

Notes: _____

SECTION 2: FINANCIAL TERMS

Why This Matters: Clear financial terms prevent payment disputes, establish budget predictability, and ensure proper cost control throughout the contract term.

Pricing & Payment

- Fixed pricing or pricing methodology clearly stated ___
- Currency specified (especially for international contracts) ___
- Payment terms (Net 30, etc.) and schedule ___
- Invoice requirements and approval process ___
- Early payment discounts or late payment penalties | ___
- Expense reimbursement policies ___
- Price adjustment mechanisms (if applicable) ___
- Tax responsibilities clearly allocated ___

Payment Terms: _____

Special Pricing Arrangements: _____

Cost Control

- Change order process and pricing methodology ___
- Cost overrun notification and approval requirements ___
- Audit rights for cost verification ___
- Budget or spending caps (if applicable) ___

Notes: _____

SECTION 3: PERFORMANCE STANDARDS

Why This Matters: Clear performance standards and delivery terms ensure accountability and provide remedies when vendors fail to meet expectations.

Quality Requirements

- Quality standards and acceptance criteria ___
- Inspection and testing procedures ___
- Non-conformance handling and remedies ___
- Quality certifications required ___
- Performance metrics and measurement methods ___

Delivery & Schedule

- Delivery dates, locations, and methods ___
- Shipping terms (FOB, CIF, etc.) ___
- Packaging and labeling requirements ___
- Schedule acceleration or delay procedures ___
- Force majeure and excusable delay provisions ___

Critical Deadlines: _____

SECTION 4: RISK MANAGEMENT & LIABILITY

Why This Matters: Proper risk allocation and insurance requirements protect against financial losses and ensure vendors can cover potential damages or claims.

Insurance Requirements

- General liability coverage and limits ___
- Professional liability (if applicable) ___
- Workers' compensation coverage ___
- Property/equipment insurance ___
- Certificate of insurance delivery requirements ___
- Additional insured status for your company ___

Minimum Coverage Amounts: _____

Liability & Indemnification

- Limitation of liability clauses reviewed ___
- Mutual indemnification provisions ___
- Consequential damages exclusions ___
- Product liability allocation ___
- Third-party claim procedures ___

Key Liability Limits: _____

Risk Allocation

- Title and risk of loss transfer points ___
- Warranty terms and duration ___
- Remedy limitations and exclusions ___
- Business continuity and disaster recovery ___

Notes: _____

SECTION 5: INTELLECTUAL PROPERTY

Why This Matters: IP provisions protect your company's proprietary information and clarify ownership rights in any work product or innovations created during the contract.

IP Ownership & Rights

- Background IP ownership clarified ___
- Newly created IP ownership allocation ___
- License grants and restrictions ___
- Confidentiality and non-disclosure provisions ___
- Return of confidential information requirements ___

IP Protection

- Patent, trademark, and copyright indemnification ___
- IP infringement procedures and remedies ___
- Employee invention assignment requirements ___

Notes: _____

SECTION 6: COMPLIANCE & LEGAL REQUIREMENTS

Why This Matters: Compliance provisions ensure vendors meet all applicable laws and regulations, protecting your company from regulatory violations and associated penalties.

Regulatory Compliance

- Industry-specific regulatory requirements ___
- Safety and environmental compliance ___
- Export/import controls and restrictions ___
- Data protection and privacy requirements ___
- Anti-corruption and ethics compliance ___

Employment & Labor

- Equal opportunity and non-discrimination ___
- Prevailing wage requirements (if applicable) ___
- Subcontractor approval and flow-down terms ___
- Background check requirements ___

Special Compliance Requirements: _____

SECTION 7: CONTRACT ADMINISTRATION

Why This Matters: Clear administration procedures ensure smooth day-to-day contract management and provide mechanisms for handling changes and communications.

Communication & Reporting

- Primary contacts and escalation procedures ___
- Regular reporting requirements and formats ___
- Meeting and review schedules ___
- Notice requirements and methods ___
- Document retention and access rights ___

Contract Changes

- Change order/amendment procedures ___
- Authorization levels and approval process ___
- Written modification requirements ___
- Price and schedule impact assessment ___

Key Contact Information: _____

SECTION 8: TERMINATION & DISPUTE RESOLUTION

Why This Matters: Termination and dispute resolution provisions provide exit strategies and conflict resolution mechanisms when business relationships encounter problems.

Termination Rights

- Termination for convenience provisions ___
- Termination for cause/default conditions ___
- Cure periods and notice requirements ___
- Post-termination obligations and transition ___
- Payment obligations upon termination ___

Dispute Resolution

- Dispute resolution process (negotiation, mediation, arbitration) ___
- Governing law and jurisdiction ___
- Attorney's fees and cost allocation ___
- Continued performance during disputes ___

Governing Law: _____

SECTION 9: SPECIAL CONSIDERATIONS

Why This Matters: Specialized contract types require additional provisions to address unique risks and requirements specific to those transactions.

International Contracts

- Currency exchange rate provisions ___
- Import/export license responsibilities ___
- International trade compliance ___
- Language and translation requirements ___
- Cultural and legal differences addressed ___

Technology/Software Contracts

- Software licensing and usage rights ___
- Source code escrow arrangements ___
- Data security and backup requirements ___
- System integration and compatibility ___
- Maintenance and support provisions ___

Service Contracts

- Service level agreements and metrics ___
- Key personnel requirements and substitution ___
- Training and knowledge transfer ___
- Equipment and facility access ___

Notes: _____

SECTION 10: CONTRACT REVIEW SUMMARY

Critical Issues Requiring Resolution

1. _____
2. _____
3. _____

Acceptable Risk Items

1. _____
2. _____

Recommended Contract Modifications

1. _____
2. _____
3. _____

FINAL REVIEW CHECKLIST

- All blanks and brackets filled in or marked N/A
- Signature pages include correct titles and dates
- All exhibits and attachments referenced and included
- Insurance certificates received (if required immediately)
- Required approvals obtained (legal, management, etc.)
- Contract execution process and effective date confirmed
- Distribution list for executed contract identified

APPROVAL SIGNATURES

Business Owner Approval:

Signature: _____ **Date:** _____
Print Name: _____ **Title:** _____

Legal Review (if required):

Signature: _____ **Date:** _____
Print Name: _____ **Title:** _____

Final Approving Authority:

Signature: _____ **Date:** _____
Print Name: _____ **Title:** _____

BEST PRACTICES FOR CONTRACT REVIEW

Pre-Review Preparation

- **Understand the business objectives** and risk tolerance for this specific transaction
- **Review vendor's standard terms** before contract negotiations begin
- **Identify non-negotiable requirements** versus preferred terms
- **Gather relevant templates and precedents** from similar successful contracts

During the Review Process

- **Read the entire contract** rather than just reviewing individual sections
- **Check for internal consistency** between different contract sections
- **Verify all cross-references** to exhibits, attachments, and other documents
- **Consider worst-case scenarios** and whether the contract provides adequate protection
- **Think about contract administration** - will the terms be practical to implement and monitor?

Common Contract Pitfalls to Avoid

- **Vague or ambiguous language** that can be interpreted multiple ways
- **Inconsistent terms** between the main contract and attachments
- **Inadequate performance standards** that make it difficult to enforce accountability
- **One-sided risk allocation** that may signal vendor performance problems
- **Missing termination rights** that could trap you in a poor-performing relationship

Risk Assessment Guidelines

- **Low Risk Contracts:** Standard terms, established vendors, routine purchases
- **Medium Risk Contracts:** New vendors, moderate value, some customization required
- **High Risk Contracts:** Critical suppliers, large value, complex requirements, new technology

Documentation and Follow-up

- **Document all review findings** and rationale for acceptance or revision requests
- **Track contract modifications** through the negotiation process
- **Ensure proper approval workflows** are followed before execution
- **Establish contract management procedures** for ongoing administration