

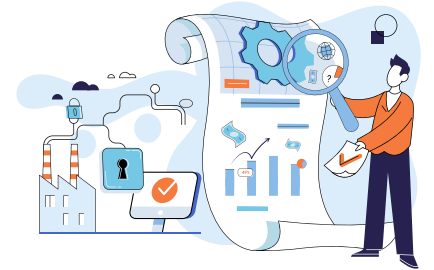


SUPPLIER CONTRACTS SIX ESSENTIAL STEPS



For business owners or managers, navigating supply contracts can be intricate, and overlooking crucial details may lead to costly repercussions.

To safeguard your interests, we review six essential steps to consider when entering into supply contracts:



Thoroughly Review Contract Terms & Conditions

► Pay close attention to pricing, delivery schedules, warranties, and payment terms. Ensure all specifications align with your business, and note ambiguities or discrepancies that could lead to misunderstandings. If necessary, seek support from your legal counsel or financial institution.

Clarify Deposit and Payment terms

► Suppliers may request a deposit or advance, and while this is common practice, it's essential to establish clear guidelines regarding the conditions of payment and the security of the deposit. Supply contract deposits paid may not be held in trust or escrow-type arrangements. Ensure related payment terms are understood and explicitly documented in the contract to avoid disputes or potential losses.

Deposits and the Personal Property Security Register

► Ordinarily a search of the PPSR may evidence security interests over property or goods, however, this will not likely be effective where a deposit is required by an agent or broker where they will not have the title over the goods or equipment. To better protect your deposit, consider requiring the equipment manufacturer or owner to provide a confirmation (via the agent) that the deposit has been received and the purchase order is being honoured.

Verify Supplier Reliability and Quality Assurance

► Before engaging with any supplier, conduct thorough due diligence to assess their reliability, reputation, and track record. Request references from past clients, inquire about their manufacturing or supply processes and assess their quality control measures. Consider including provisions in the contract for quality inspections and acceptance criteria to mitigate risks associated with substandard products.

Address Intellectual Property and Confidentiality Concerns

► When purchasing machinery or goods from suppliers, intellectual property (IP) rights and confidentiality are paramount considerations. Contracts should delineate ownership of any proprietary technology, designs, or innovations developed. Implement confidentiality provisions to safeguard sensitive information.

Anticipate Contingencies and Mitigate Risks

► Unforeseen circumstances may arise that disrupt supply chains or impact production schedules. To mitigate risks, include provisions in the contract for force majeure events, such as natural disasters, industrial strikes, or regulatory changes, which impact performance obligations. Consider implementing contingency plans to minimise the impact of unforeseen events on your business operations and provide remedies to be actioned in the event of delays.