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What is SLA (Service Level Agreement)?

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What is a Service Level Agreement (SLA)?

A service level agreement (SLA) is an outsourcing and technology vendor contract that outlines a level of service that a supplier promises to deliver to the customer. It outlines metrics such as uptime, delivery time, response time, and resolution time. An SLA also details the course of action when requirements are not met, such as additional support or pricing discounts. SLAs are typically agreed upon between a client and a service provider, although business units within the same company can also make SLAs with each other.

What are the types of service level agreements?

Here are some common types of service level agreements (SLAs).

Customer-level SLA

A customer-based SLA is an agreement that covers all of the services used by a customer. A customer service level agreement covers specific details of services, provisions of service availability, an outline of responsibilities, escalation procedures, and terms for cancellation.

Service-level SLA

A service-level SLA is a contract that details an identical service offered to multiple customers. For example, if a service provider had multiple clients using its virtual help desk, the same service-based SLA would be issued to all clients.

Multi-level SLA

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What are the common elements of a service level agreement?

There are a number of common elements that you can include in a service level agreement (SLA).

Agreement overview

An agreement overview includes the start and end dates of an SLA, details of the parties involved, and an overview of the services included.

Description of services

A description of services outlines all services provided within an SLA. It details information such as turnaround times, technologies and applications, maintenance schedules, and processes and procedures.

Exclusions

This section describes all exclusions and exemptions that are agreed upon by both parties.

Service level objective

A service level objective (SLO) is an agreement within an SLA about a specific metric like response time or uptime. Both parties agree to key service performance metrics backed by data.

Security standards

Both the service provider and the client use security standards to demonstrate the security measures and protocols in place. This section also commonly includes non-disclosure agreements (NDAs) and anti-poaching agreements.

Disaster recovery process

An SLA will often detail the process of disaster recovery and outline the mechanisms and processes to follow in case of service failure of the vendor. This section also includes information on the restarting process, including restart times and alerts.

Service tracking and reporting agreement

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This section clearly states the penalties, financial or otherwise, that either side incurs if they fail to live up to their SLA obligations.

Termination processes

There may come a time when you want to bring your agreement to an end. In addition to requiring a notice period from either party, the SLA also clearly outlines the circumstances that permit termination or expiration.

Review and change processes

It is important that you regularly review your SLA and any key performance indicators (KPIs) that you are using to measure performance. Any large-scale changes in your requirements need to be recorded in the agreement.

Signatures

The agreement to each item contained in the document is reviewed and signed by authorized individuals and pertinent stakeholders from both sides. As long as the agreement is in effect, both parties are bound by it.

What are some examples of metrics that service level agreements cover?

There are several common metrics you can expect service level agreements (SLAs) to cover. These enable you to measure your service provider's performance levels as agreed upon in your service level agreement. Here are some common SLA metrics.

Service availability

Service availability is the amount of time that a provider's service is available for use. This is sometimes measured in a time slot. For example, your SLA might specify that a provider's service will be available for a minimum of 99.5% capacity for a specific 12-hour window each day. If you have an ecommerce platform that receives orders around the clock, an SLA that guarantees availability of 99.99% for 24 hours a day would be more appropriate. Though, it'll come at an added cost.

Error rates

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Security

It's critical to measure controllable security metrics, such as antivirus updates and patches, to demonstrate that the vendor takes preventive measures to reduce unintended access.

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Response times

This metric sets out the acceptable response time for a monitor. If the maximum response time is two seconds, for example, then the metric measures the average time from multiple locations. As long as the average from all of the sites is below two seconds, it would be considered sufficient.

Business results

You can measure business results directly attributable to your SLA through the use of key performance indicators (KPIs) that both parties agree to.

First-call resolution rates

This metric shows how many customers were able to have their issues solved by the service provider during their first contact with a help desk or chatbot.

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Abandonment rates

Abandonment rates are appropriate to measure for customer service providers. The abandonment rate shows how many customers ended their communication before getting an answer to their query from the customer service team. A service level agreement would typically include a very low abandonment rate.

What factors should I consider when setting metrics for a service level agreement?

There are a number of factors to consider when setting metrics for your service level agreement. They include the following:

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- Set a proper baseline from which to begin the contract.
- Try to agree on a manageable number of metrics. Too many and it will become difficult to oversee.
- Ensure all metrics are very clearly defined.

How can a client monitor vendor performance against the service level agreement?

It is important that clients consistently monitor a service provider's performance against the service level agreement (SLA). Clients commonly run weekly status reports that monitor performance. Consistent failures from either side could incur penalties or indicate when it's time to change service providers.

Most service providers make their data and statistics readily available to customers through a customer platform. Information can also be found about whether the client is eligible for remuneration in the event of continued failings.

If the portal used to monitor services is controlled by a third party, it's important that they're involved in the SLA agreement process. This ensures there's no room for error when it comes to the service expected.

What kind of penalties can service providers incur?

There are several penalties that can be incurred by service providers if they fail to uphold their service level agreement (SLA) responsibilities.

Service credits

Service credits, sometimes known as service level credits, are deducted from monies owed under a service level contract. Service credits are deducted when a service provider fails to meet standards set out in the service level agreement. Service providers can regain service level credits in the form of *earn backs* if agreed upon by both parties in the SLA. Providers are generally eligible for earn backs if they perform at or above the agreed service levels for a period of time.

Financial penalties

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In the event of failing to meet its obligations, a vendor can be required to extend the terms of the license or continue the contract without further charge.

What is the difference between SLA and KPI?

A service level agreement (SLA) sets out how a client and services provider work together and what their individual responsibilities are. On the other hand, a key performance indicator (KPI) measures how successfully people or teams are performing against a group of standards. Typically, KPIs are used to measure internal performance standards, while a service level agreement is more suitable to define standards in a client-contractor relationship.

Does AWS offer SLAs for its services?

At Amazon Web Services (AWS), we commit to offer [service level agreements](#) (SLA) and publish service level objectives (SLO) for all paid and generally available services. We have separate SLAs for each of our multiple services, with more than 300 separate SLAs currently published on the AWS website. For example, the SLA for our popular cloud storage service, [Amazon Simple Storage Service \(Amazon S3\)](#), can be found at [Amazon S3 Service Level Agreement](#).

When choosing an AWS SLA, it is important to understand the differing SLAs for each service you use. The SLA should fit with the SLOs you've defined for your application. And consider how these SLOs will impact the overall SLA you offer your users for applications running in the AWS Cloud.

Get started with AWS SLAs by [creating a free AWS account](#) today.

Next Steps with AWS



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