

Service Level Agreement (SLA) Template

Use an SLA to outline a service provider's level of service and manage customer expectations.

A **service level agreement** defines the level of services a provider commits to achieving for their client or customer. It defines standards and establishes consistency in relationships with different customers.

Service Agreement vs. Service Level Agreement

A [service agreement](#) is broader than an SLA, as it explains the terms and conditions between the provider and client. It covers various aspects, such as the agreement's duration, payment terms, intellectual property rights, and other factors. An SLA contains more measurable and specific terms relating to the quality and level of service.

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What Is a Service Level Agreement?

A service level agreement (SLA) outlines the obligations of a service provider and their client to one another. It contains critical details about the service and the minimum quality of service the parties agree upon. SLAs are most prevalent in industries emphasizing the reliability, performance, and quality of the provided services, such as the IT, outsourcing, and healthcare service industries.

All service providers should use an SLA with their customers. Service level agreements provide important promises and protections like:

- Specifying the service levels the provider will offer
- Documenting how much uptime the customer agrees to
- Creating expectations for responding to customer service inquiries
- Implementing legal protections for both parties

Is a Service Level Agreement Legally Binding?

YES, a service-level agreement is legally binding. When the service provider and client properly draft and execute it, it becomes a legal contract between the parties. It protects your legal rights no matter which party you are in the agreement.

Types of SLAs

Explore the most common types of SLAs:

- **Customer-Based SLA:** As the name implies, this type of SLA is customer-focused. A customer service level agreement meets the individual customer's or customer group's specific expectations, needs, priorities, preferences, and requirements.
- **Service-Based SLA:** Instead of focusing on individual customers or customer groups, a service-based SLA focuses on the specific services a service provider performs. It doesn't necessarily account for the customer receiving the service. Instead, it emphasizes the quality measures, performance standards, and other service-related measures applicable to a service set.
- **Multi-level (Hierarchical) SLA:** A multi-level or hierarchical SLA addresses different customer sets. For example, it may address stakeholders at the corporate, department, and individual levels. The services at each level will vary in specificity, price, and other factors.

Internal Service Level Agreement vs. External Service Level Agreement

Internal SLAs describe the services that departments within the same company will provide one another. For example, a company's sales and marketing departments may establish an internal SLA to increase lead quality or optimize the performance of marketing campaigns.

On the other hand, an **external SLA** is between an external client and a service provider.

How to Write a Service-Level Agreement

Step 1 – Define the Service

Explain the services that the service provider will perform for the client. If it's an internal SLA, clarify the relationship between the two internal departments within a company.

Specify the scope of the services, including any limitations and exclusions. Clarify what the provider includes and excludes in their service offerings.

Step 2 – Specify Service Levels

Describe the desired outcomes and objectives that you hope the provided services will achieve. List the targets, quality measures, performance standards, and customer service standards the provider should meet when delivering their services.

Think about what you want the service levels to measure, such as the responsiveness, reliability, and quality of the services being provided. Some common service levels an SLA may document include the following:

- **Service availability:** The percentage of time that a service is available for the customer to use.
- **Resolution time:** The time it takes for the service provider to address clients' issues, such as unscheduled service outages.
- **Response time:** The time it takes for the service provider to acknowledge clients' requests.

- **Uptime:** The percentage of time that a system or service is operational.
- **Transaction processing speed:** The time it takes for an application or system to process a transaction, such as an online order or data transfer.
- **Data accuracy:** The precision of data transmitted, processed, or stored by an application or system.
- **System throughput:** The rate at which a network or system can process and deliver data.

Step 3 – Set Performance Metrics

Once you document the level of service you want to measure, you can set specific performance metrics. Refer to industry standards for metrics and key performance indicators (KPIs). You can set these at or above industry standards, depending on the service provider's expected capabilities.

Establish the acceptable thresholds and minimum/maximum rates. This way, the service provider has a range they can aim for.

Step 4 – Outline the Parties' Responsibilities

Explain both parties' obligations and responsibilities. Outline each party's tasks, roles, and contributions to ensure the service provider can successfully deliver their services. For example, the service provider may require the client to supply the necessary facilities, equipment, or infrastructure.

Step 5 – Establish Reporting Requirements

Clarify how the service provider will report their progress and metrics. Establish a desired frequency. For example, the service provider may provide a weekly update with basic metrics and a monthly report with a broader overview of the progress of their service provision.

Step 6 – Define the Escalation Process

You must define the escalation procedures, which involve handling issues or conflicts that arise from the agreement. These procedures help you address the problem timely and escalate the issue to the appropriate level of supervision when necessary. Include the following elements in your escalation procedures:

- Issue identification
- Issue reporting
- Initial response and triage
- Escalation criteria and thresholds
- Escalation paths
- Contact points
- Resolution timelines

Step 7 – Consider Incentives and Penalties

The SLA states that the client must provide service consistent with the document's terms. However, circumstances may cause the provider to fall short of their service expectations.

The SLA should detail what happens in these cases. For example, the SLA may state that the customer receives a service credit they can use later. If you include provisions for service credits, please specify the nature and amount of compensation. The agreement may also specify penalties the service provider must pay if they fail to deliver their services as promised.

Step 8 – Include Standard Legal Terms

Include standard legal terms and conditions that dictate the agreement, such as the following:

- Liability limitations
- Indemnification clauses
- Contract assignment terms
- Confidentiality clauses
- Nondisclosure, noncompete, and nonsolicitation clauses
- Intellectual property rights
- Governing law
- Dispute resolution methods
- Rights to cancel or amend the agreement

Step 9 – Review the Agreement and Complete the Approval Process

Create a process for reviewing and revising the SLA. Once both parties are satisfied with the terms, they can approve and sign it. Please collect feedback and input from all stakeholders before finalizing your agreement.

Additional Considerations for an SLA

Here are some additional considerations for your SLA to make it even more robust and beneficial for all parties involved:

- **Schedule regular reviews.** Set up regular review sessions for the SLA to ensure it remains effective and relevant. During these reviews, you can acquire feedback from stakeholders, assess service performance trends, and evaluate changing needs.
- **Include service credits.** Some SLAs simply implement penalties for a failure to provide services. However, you can consider including service credits to establish a stronger provider-customer relationship and increase the provider's reliability.
- **Use riders.** Use riders or addendums to add additional information that the original SLA doesn't cover. These addendums let the parties add supplemental details without needing to renegotiate the entire agreement.
- **Define end-of-contract terms.** Clarify the terms and conditions that apply to the contract term's end, including data transfer, transition planning, termination, and renewal provisions.