

What Is a Software Service Level Agreement?

5-6 minutes

A software service level agreement (SLA) is a contract between your business and your IT supplier. It outlines acceptable levels of service and compensations. 3 min read

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A software service level agreement (SLA) is a contract between your business and your IT supplier. The SLA outlines acceptable levels of service as well as compensation you would receive if the supplier fails to provide those services.

Software Service Level Agreements

Software service level agreements come in all forms. Many IT suppliers have their own standard document they can customize to meet your contractual needs. It's important to note that the SLA is a legally binding document, so its terminology can be complex and confusing. More than that, SLAs are written with the supplier's best interests in mind, making it essential to review the SLA carefully and seek legal advice, if needed, to ensure the [IT contract](#) meets your needs.

The term “service level agreement” has a broad application that addresses more than just technology. The document may include items related to security breaches and conditions in which the SLA

can be terminated. As such, the SLA plays a critical role in defining the nature of the relationship between [your business](#) and its IT provider. The contract ensures you're entitled to a level of service, which gives you peace of mind if something goes wrong. You can also be confident the IT supplier will respond quickly when necessary.

Failing to have an SLA in place could mean your IT supplier fails to meet your company's needs and refuses to respond to urgent requests.

Having an SLA in place:

- Codifies the minimum requirements for each level of service
- Specifies service parameters
- Affirms your company's ownership of its own data, which is stored on the IT provider's system
- Specifies your rights to discontinue or continue service
- Specifies costs
- Outlines the IT provider's security standards and how they should be maintained
- Identifies your rights to audit the IT provider's security standards

Software Service Level Agreement Components

A strong SLA will contain the following components:

- **Uptime:** The time in which the IT equipment is in operation. For instance, your IT supplier might guarantee a 99 percent uptime for your data backup system.
- **Response times:** How long it takes for the IT provider to respond when issues arise. Choosing an IT supplier with dedicated support is essential.

- **Penalties:** The SLA document should outline how much compensation you'll receive if the provider fails to uphold its end of the bargain. Different IT providers have different compensation levels and payment thresholds, which is something to keep in mind when choosing a supplier. In most cases, compensation is given in the form of an account credit.
- **Get-out clause:** This clause should state your ability to terminate the SLA contract if the IT supplier fails to meet its own contractual standards.
- **Data portability:** The ability to move your data to a different IT provider, if needed.
- **Data access:** Whether the data is retrievable from the supplier and can be accessed in a readable format.
- **Resolution expectations:** This section should state whether the IT provider has a call center and what is the best way to identify problems.
- **Management change process:** In the event of a management change, the SLA will cover how to handle the changes or new service updates.
- **Dispute mediation:** If disputes arise, how will you mediate the issues with the IT provider?
- **Exit strategy:** When you're ready to move on to a different IT supplier, will the existing provider provide a smooth transition?

The SLA should also contain details related to downtime.

Essentially, you should not be paying for any system downtime, but you must make sure the SLA specifies this information. In cases of limited service or unavailability, the IT provider may refund you the service cost for those hours of downtime.

A strong SLA will also define severity levels for IT issues. In other

words, a severity level 1 may be considered critical and elicit a faster response time than a severity level 3. You should also state which users have quicker access to data and issue resolutions, such as managers and other higher-ups in the company. For example, as the company owner, your issues with not being able to receive emails on the weekend is a severity 1 issue, whereas other employees would be categorized at severity level 3.

Make sure the SLA covers both resolution and [response times](#) since the two are very different.

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