



Global Legal Solutions®

Service Level Agreement Checklist

GLS Checklists – Knowledge Leverage Tools



PART A: INTRODUCTION

1. INTRODUCTION

A Service Level Agreement (SLA) is a formalized contract between a service provider and its clients, which details the nature of the service being provided.

SLAs can be categorized as:

- **Customer-based:** Tailored for a specific customer or group;
- **Service-based:** Applicable to all users of a specific service; or
- **Multi-level:** Designed to cater to multiple parties.

The SLA serves several purposes:

- It specifies the services that the providers are obligated to deliver;
- It provides a detailed account of costs, expectations, penalties, metrics, and other crucial protocols;
- It encourages both parties to fulfil their responsibilities; and
- It serves as a legally binding agreement between both parties.

This checklist is a comprehensive tool designed to ensure that all aspects of service levels are adequately addressed in your agreements. It consists of questions covering key areas such as defining the SLA, performance metrics, monitoring and reporting, penalties and rewards, and more.

2. FURTHER SUPPORT

If you would like to clarify any point arising out of your use of this checklist, you may book a free 30-minute call with a GLS legal expert: [Free Consultation](#).

3. RELATED ASSUMPTIONS

In preparing this checklist, we have made the following assumptions:

- The default structure for each question is “Yes” or “No”;
- We are reviewing the clause from the customer’s perspective;
- Provisions are considered as though arising in a “Supply Contract” scenario, and the principles they invoke will be applicable to most commercial transactions;
- This checklist is based on English law principles; and
- Contracting Parties are assumed to be legal entities.

Please remember that this checklist does NOT replace the need for independent legal advice.

PART B: SERVICE LEVEL AGREEMENT CHECKLIST

4. ISSUES DASHBOARD

You should look at:	
Service Levels Requirements	Cap on Liability for Service Credits
General Obligations	Indemnification Clause
Response Requirements	Penalties and Termination Clause
Metrics	

**5. SERVICE LEVELS REQUIREMENTS**

Primary Query	Y/N/C	Secondary Query / Comment / Action
Info: Service level requirements are the core of an SLA—these are the key deliverables that customers agree to receive from the suppliers.		
5.1 Are the service levels clearly defined for each good or service?	Y	Review for clarity and specificity.
	N	Seek clarification to avoid ambiguity.
5.2 Is there a mechanism for periodic review and adjustment of service levels?	Y	Ensure flexibility to adapt to changing needs.
	N	Incorporate service levels review process.
5.3 Are there specific metrics or criteria for measuring service levels?	Y	Verify relevance and measurability.
	N	Define measurable metrics for clarity.
5.4 Is there clarity on how service levels will be monitored and reported?	Y	Confirm accessibility of monitoring data.
	N	Specify reporting requirements.
5.5 Are there penalties (service credits) or incentives tied to achieving or failing to meet service levels?	N	Potential impact on prepaid fees.
	Y	Assess the financial implications of termination.
5.6 Are there provisions for service level credits or refunds in case of non-compliance?	Y	Ensure clarity on credit calculation.
	N	Identify consequences suitable for your business needs (suspension, agreement/purchase order termination, etc.)
5.7 Is there a process for resolving disputes related to penalties?	Y	Ensure the dispute resolution process is detailed.
	N	Consider whether it shall be the same as any other disputes under the agreement.

**6. GENERAL OBLIGATIONS**

Primary Query	Y/N/C	Secondary Query / Comment / Action
Info: Supplier's responsibilities and obligations shall be clearly defined for service levels implementations.		
6.1 Are supplier's responsibilities and obligations clearly defined and achievable?	Y	Confirm feasibility and clarity.
	N	Seek clarification on duties.
6.2 Is there alignment between your expectations and what is documented in the contract?	Y	Ensure alignment with service levels.
	N	Define supplier's roles clearly.
6.3 Are there provisions for changes in obligations if circumstances change?	Y	Verify mutual understanding.
	N	Realign expectations with contract terms.
6.4 Are there requirements for periodic performance reviews or audits?	Y	Ensure regular assessment of compliance.
	N	Implement periodic assessments.

7. RESPONSE REQUIREMENTS

Primary Query	Y/N/C	Secondary Query / Comment / Action
Info: You would require expected response times, escalation procedures, and communication protocols to ensure prompt and effective handling of issues and incidents (especially for IT contracts).		
7.1 Are there escalation procedures for unresolved issues or critical incidents?	Y	Review for adequacy per issue type.
	N	Specify response times by issue type.
7.2 Is there a clear process for notifying you of service interruptions or delays?	Y	Ensure clarity on escalation paths.
	N	Establish escalation protocols.
7.3 Is there a protocol for communication during emergencies or downtime?	Y	Verify effectiveness during downtime.
	N	Establish emergency communication protocol.

**8. METRICS**

Primary Query	Y/N/C	Secondary Query / Comment / Action
Info: You need clear KPIs and benchmarks against service levels.		
8.1 Are key performance indicators (KPIs) identified and relevant to our objectives?	Y	Verify alignment with business goals.
	N	Define KPIs aligned with objectives.
8.2 Are metrics clearly defined and measurable?	Y	Ensure clarity in measurement criteria.
	N	Specify clear measurement criteria.
8.3 Is there a methodology for calculating and reporting metrics?	Y	Verify consistency in reporting.
	N	Establish reporting methodology.
8.4 Are there consequences or rewards tied to meeting or exceeding performance metrics?	Y	Ensure flexibility in metric adjustments.
	N	Implement review and adjustment process.

9. CAP ON LIABILITY FOR SERVICE CREDITS

Primary Query	Y/N/C	Secondary Query / Comment / Action
Info: Normally suppliers insist on cap on their liability under the agreement.		
9.1 Is there a cap on service credits?	Y	<ul style="list-style-type: none"> Confirm clarity on the total cap Is it included in the cap of total liability limitation? Evaluate adequacy based on business risk.
	N	Consider if a cap is needed.
9.2 Are the terms for applying for service credits clearly defined and correlated with specific service level failures?	Y	Ensure direct linkage to performance metrics.
	N	Clearly define the terms for applying for service credits and correlate them with specific service level failures.
9.3 Is there transparency in how service credits are calculated and applied against invoices or future services?	Y	Ensure clarity in calculation and application.



	N	Ensure clarity in how credits are calculated.
9.4 Are there provisions for revisiting the cap on liability for service credits if service level targets are consistently unmet?	Y	Include terms to revisit and adjust the cap if service level targets are repeatedly unmet.
	N	<ul style="list-style-type: none"> Is it reasonable? Consider adding a mechanism for a review.

10. INDEMNIFICATION CLAUSE

Primary Query	Y/N/C	Secondary Query / Comment / Action
Info: This is a valid approach to indemnify yourself against the supplier's performance.		
10.1.1 Does the contract include an indemnification clause that protects your interests against liabilities arising from the supplier's actions or failures?	Y	Ensure clarity on scope.
	N	Negotiate inclusion for protection.
10.1.2 Are indemnification terms clearly defined, specifying the types of claims covered (e.g., third-party claims, intellectual property infringement)?	Y	Verify adequacy and limitations.
	N	<ul style="list-style-type: none"> Seek clarification on the types of claims. Check the definition of claims.
10.1.3 Is there clarity on the process for making indemnification claims, including notification requirements and timelines?	Y	Verify adherence during contract review.
	N	Define clear claim procedures.
10.1.4 Are there exclusions or limitations to the indemnification clause?	Y	Review impact on risk exposure.
	N	Good. No actions are required.
10.1.5 Does the supplier have sufficient insurance coverage to support their indemnification obligations?	Y	Confirm sufficiency for potential liabilities
	N	Review impact on risk exposure.

**11. PENALTIES AND TERMINATION CLAUSE**

Primary Query	Y/N/C	Secondary Query / Comment / Action
Info: Consequences for non-compliance with SLAs and the conditions under which the contract may be terminated, ensuring accountability and performance assurance is essential.		
11.1 Is there a termination clause allowing you to terminate the contract if service levels are consistently unmet?	Y	<ul style="list-style-type: none"> • Shall be tied to specific level failures. • Ensure metrics are clearly defined.
	N	Consider if such a clause is necessary.
11.2 Is there a termination clause that allows you to terminate the contract if a cap on service credits is reached?	Y	<ul style="list-style-type: none"> • Reasonable notice period is specified. • Note duration and review terms.
	N	Add a termination clause that allows for contract termination if the cap on service credits is reached.
11.3 Are specific performance metrics or service level targets linked to the termination clause?	Y	Verify that each service level is adequately linked to the termination clause.
	N	Insert if applicable.
11.4 Is a notice period required before termination, and is it reasonable given the circumstances?	Y	Verify effectiveness for potential disputes.
	N	Insert if applicable.
11.5 Are there provisions for resolving disputes or attempts to cure before termination can be invoked?	Y	Are the steps for dispute resolution and cure attempts clearly outlined?
	N	Insert if applicable.

PRACTICAL TIPS

- **Define Clear and Measurable Metrics:** ensure all service levels have specific, objectively measurable metrics that are aligned with your business goals.
- **Regular Review and Updates:** schedule periodic reviews to keep SLAs relevant and adjust as business needs change.
- **Include Escalation Procedures:** establish clear paths for escalating unresolved issues to ensure prompt resolution.
- **Monitor and Report Performance Consistently:** implement a robust monitoring system and provide regular performance reports to stakeholders.
- **Align Incentives and Penalties:** tie incentives and penalties to SLA achievement to encourage supplier accountability and performance improvement.