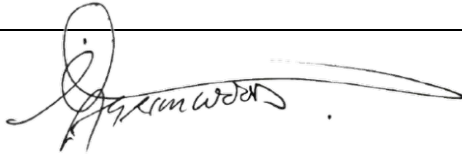




POLICY DOCUMENT

Severance Accrual Policy

Exco Review	
Signature Date	26 May 2025
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Severance Accrual Policy – Kheth’Impilo Aids Free Living (KI)

1. Introduction

- 1.1. KI ("the Organisation") operates within a dynamic and often unstable funding landscape in South Africa. To ensure the financial stability and ethical treatment of its employees, the Organisation has established this Severance Accrual Policy. This policy outlines the procedures for accruing funds to cover potential severance obligations in the event of workforce reductions due to funding constraints or organisational restructuring.

2. Purpose

The purpose of this policy is to:

- 2.1. Align with South African labour legislation, specifically the Basic Conditions of Employment Act (BCEA) and relevant sectoral determinations.
- 2.2. Ensure the Organisation's financial stability and ability to meet its legal and ethical obligations regarding severance pay.
- 2.3. Promote transparency and accountability in financial management.

3. Scope

- 3.1. This policy applies to all employees of KI who have completed a minimum of one year of continuous service.

4. Severance Accrual Calculation

- 4.1. The Organisation will accrue severance pay based on the minimum requirements stipulated in the BCEA, which is one week's remuneration for each completed year of continuous service.
- 4.2. The calculation will be based on the employee's current basic salary.
- 4.3. The accrual will be calculated and recorded monthly.
- 4.4. The calculation will be reviewed annually to ensure alignment with current salary levels and legislative requirements.
- 4.5. If the organisation chooses to offer a severance package that exceeds the BCEA minimum, the accrual will be based on the higher amount. This will be stated in a separate written document approved by the board.

5. Funding and Management of Accrued Severance

- 5.1. The accrued severance funds will be allocated and tracked as a specific liability within the Organisation's financial statements.
- 5.2. The funds will be held in a designated, secure, and accessible bank account.
- 5.3. Exco will oversee the management of the accrued severance funds.
- 5.4. The Finance Manager will be responsible for the monthly calculation, recording, and monitoring of the accrued severance.
- 5.5. Exco will determine the appropriate investment strategy for these funds, if any, ensuring liquidity and security.
- 5.6. The funds will be reviewed quarterly.

6. Triggering Severance Payments

- 6.1. Severance payments will be made to eligible employees in accordance with the BCEA and this policy in the event of:
- 6.2. Retrenchment due to operational requirements, including funding constraints.
- 6.3. Redundancy due to organisational restructuring.
- 6.4. The Organisation's closure due to lack of funding.
- 6.5. Severance payments will not be made in cases of:
 - 6.5.1. Resignation.
 - 6.5.2. Dismissal for misconduct.
 - 6.5.3. Retirement.
- 6.6. All retrenchment processes will adhere to Section 189 of the Labour Relations Act.

7. Review and Amendment

- 7.1. This policy will be reviewed annually by Exco to ensure its continued relevance and effectiveness.
- 7.2. Amendments to this policy may be made by Exco as necessary, with due consideration to legal requirements and the Organisation's financial circumstances.
- 7.3. All changes to this policy will be communicated to all employees.

8. Transparency and Communication

- 8.1. This policy will be made available to all employees.
- 8.2. Employees will be informed of the Organisation's commitment to accruing severance funds.
- 8.3. The financial statements, including the accrued severance liability, will be made available for review by Exco and auditors.

9. Legal Compliance

- 9.1. This policy is intended to comply with all applicable South African labour legislation, including the BCEA and the Labour Relations Act.
- 9.2. The Organisation will seek legal advice as necessary to ensure ongoing compliance.

10. Effective Date

- 10.1. This policy shall be effective from 1 October 2024