

# **SASOL MINERAL RIGHTS, ESTATES AND SERVITUDES DEPARTMENT (SMRD)**

## **OWNER CONSULTATION AND SERVITUDE NEGOTIATIONS – NATURAL GAS PROJECT RSA**

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### **Notes**

It is important to bear in mind that obtaining servitudes is a long-term relationship between the property (surface) owner and the servitude owner.

Relationships need to be established from the first visit or first contact with any property owner. This includes being reasonable with the proposed route and the compensation amount applicable.

This is a continuous process whereby the owners are kept informed about the whole process, including personal visits and correspondence.

### **1. ROUTE OF PIPELINE**

- The pipeline route from Secunda to Mozambique begins at the Sasol plant in Secunda and traverses approximately 343 kilometres up to the Mozambique border at Komatipoort.
- The starting point at Secunda is situated on the highveld and leads to the middleveld where it goes down Rooihogte in the Carolina-Badplaas area. The last descent is at Nelshogte, across Devils Knuckles towards the lowveld.
- The towns situated in close proximity to the route are Secunda, Bethal, Carolina, Badplaas, Barberton, Kaapmuiden, Malelane, Hectorspruit and Komatipoort.

### **2. SERVITUDE AGREEMENT**

The agreement is the final document produced after negotiations between the various parties involved. The purpose of the servitude agreement is to negotiate certain rights between the parties, secure these rights through registration of the servitude and to regulate the future access and conditions agreed between the parties.

An agreement is compiled in conjunction with all relevant parties concerned with the content and conditions of the agreement:

The width of permanent and temporary servitudes is determined by the future space and access needed for maintenance work as well as allowing sufficient space during construction. (Permanent and temporary servitudes measure 6 m and 20 m respectively). Eventually the 6 m servitude will be registered against the title deed of each property, with coordinates indicating the exact route of the pipeline/servitude.

## **2.1 Payment of compensation**

There are two types of compensation, namely the permanent servitude based on property values and temporary servitude based on actual financial losses.

The compensation amount payable on the permanent servitude is determined and negotiated when the agreement is signed. Compensation on the temporary servitude can be determined before construction, at the time of negotiating servitude, 30 days after construction has started or on the registration date.

Also included is the rate of interest to be paid on the compensation amounts (to be agreed on between all parties). The interest, if any, is payable from the date of entry onto the property for construction activities up until the date of registration.

Future access is also one of the conditions negotiated between the parties. Access onto an ordinary cattle farm will differ from that of a game farm. Conditions will include access and the installation of gates (how, when and why).

Specific property usage has an effect on the property values. The agreement can have a permanent influence on property usage, for example, it is a specific agreement precondition that no permanent structures or trees (orchards) will be allowed on the permanent servitude area. Within the permanent servitude area the following cash-crops/orchards are allowed, bananas, paw-paws, sugarcane, maize etc. However, nuts, avocados, mangos, citrus and forestry are not allowed.

## **3. EIA PHASE AND PROPERTY/OWNER SCHEDULE**

The first step undertaken by Sasol during the owner consultation and servitude negotiations was to obtain an initial list of all potentially affected properties on all the alternative routes identified. The initial amount of owners on the different alternative routes was nearly 400. Deeds office investigations were conducted and a schedule compiled with property and owner information.

All property owners were contacted and visited on all the different alternative routes. The EIA Scoping Report was distributed during these contact periods, the process was discussed and explained and any initial questions answered. People were informed of open days and all potentially affected owners were invited.

Lists with all the addresses and telephone numbers of potentially affected property owners and all the comments and concerns raised by property owners were compiled. These lists were then sent to the EIA consultant.

Sasol personnel then undertook to attend all the open days and meetings with interested and affected parties (I&APs). Sasol staff familiarised themselves with the I&APs and kept records of potential problems as well as problem-owners.

Sasol personnel also attended meetings with affected parties on re-routing and obstacles along the route. SMRD had continuous input on the route planning, relating all information and concerns addressed by property owners to all parties concerned. This formed part of the final EIA process.

Concerns regarding environmental issues were:

- Rehabilitation of the servitude areas.
- Invasion by alien plants.
- Usage and maintenance of roads.
- Future erosion.
- Loss of agricultural land.

Other factors, not environmentally related, taken into consideration when choosing and finalising the route were:

- Length of route.
- Existing services and service-corridors.
- Cadastral boundaries.
- Constructability.
- Cost.

#### **4. VALUATIONS AND PERMANENT SERVITUDE COMPENSATION**

An independent Valuator (member of the Institute of Valuers) was appointed to do general valuations of the proposed pipeline route. This usually took place after the open days and determination of a preferred route. The route was divided into certain sections where a general valuation would be applicable for the whole section. Management needed to approve these valuations before they could be used for any negotiation purposes. On this specific project an additional 25% was added to the maximum valuation for each section or category making sure that relevant and fair compensation amounts were negotiated with the property owners.

If necessary, individual valuations were done on individual properties to get specific values or to determine the devaluation of the property involved. The owner could, however, choose to appoint a valuator of his own choice and even in this case, Sasol would pay the costs. Therefore, a list of potential valuers, approved by SMRD, was compiled all of whom were members of the Institute of Valuers.

After receipt of the servitude sketches for the whole route, a decision was taken on which areas general and specific valuations would be done. The valuers were then supplied with all the relevant servitude sketches and route plans. The process of property valuations was managed according to the negotiation requisites.

The valuation reports from the valuers were scrutinised for correctness regarding the proposed compensation amounts. A schedule of all the valuations was compiled and forwarded to the Legal Department for Management approval. The route followed in terms of Management approvals was that all information was provided in writing prior to commencement of the valuation process. Sasol approved amounts 25% higher than the valuers had stipulated.

A minimum amount of R 1 000.00 per servitude was applicable. In some instances the amount payable, if only calculated on the extent of the servitude and the property values, was not worth the inconvenience to a property owner.

The valuers were available to assist SMRD during negotiations in cases where their specialist (property/price) knowledge on properties was required. Owners had the right to ask for a specific valuation to be done by a valuator of their choice.

Different valuation categories used on this project were:

- Grazing (rocky and mountainous).
- Grazing (veld).
- Grazing (suitable for pastures).
- Grazing (old fields).
- Fields.
- Fields suitable for irrigation.
- Irrigated fields.
- Orchards.
- Forestry areas.
- Game farms.
- Game farms with potential for ecotourism.

The valuation amounts differed from one category to the other. The valuation amounts for the total pipeline route differed from a minimum of R 750.00 per hectare up to a maximum of R 16 500.00 per hectare. The property valuations for the smaller properties, smallholdings and industrial areas differ from R 25 000.00 per hectare up to R 200 000.00 per hectare.

The route can be divided into certain areas:

- The Highveld-area where there is mostly grazing and cash crops (mainly maize and wheat).
- Nelshoogte and Glenthorpe areas where forestry is the main agricultural activity.
- Barberton-Kaapvalley area that mainly comprises orchards (nuts, avocado, citrus, cane, vegetables).
- Kaapmuiden – Hectorspruit area (mainly sugarcane and citrus).
- Hectorspruit – Komatipoort area (mainly game farms, sugarcane, bananas and cattle).
- Komatipoort area has many smallholdings.

## **5. TEMPORARY SERVITUDE AND COMPENSATION PAYABLE**

Research was done on the various kinds of crops and vegetation, which would be affected by the servitude. Values and formulae for calculations were obtained regarding different kinds of damage compensation that had to be negotiated from accredited organisations like OTK, Irrigation Boards, Sugar Cane Associations, etc.

The actual financial loss incurred by the property owner had to be taken into consideration. This could include the loss of an annual crop, interim loss of grazing or the permanent loss of perennial crops. Damage was also payable for the repair or usage of private roads, not having access to certain areas, loss of crops due to damages to irrigation lines, etc.

The following categories were used in negotiating for and paying of damage compensation:

- Damage to grazing.
- Re-instatement of grazing.
- Weed control.
- Damage to cash crops.
- Permanent loss of usable agricultural land (orchards on pipeline route).

The amounts paid ranged from as little as R 1 000.00 per hectare up to as much as R 60 000.00 per hectare.

Damages were assessed and paid, depending on what was negotiated with the claimant (some property owners insisted on negotiation of damages prior to commencement of construction while others insisted on discussing damage compensation only after completion of construction).

## **6. NEGOTIATIONS**

After all the values had been obtained and approved, SMRD agents visited every individual property owner to negotiate servitudes. The negotiations were an open negotiation between the parties. Every landowner was entitled to negotiate an amount he felt to be appropriate for his land. Sasol used the valuations as their basis from which to negotiate and tried to get to an agreement within that framework. The purpose of this is to be consistent with compensation amounts offered and not to have a negative effect on property values.

Every owner was entitled to legal advice before entering into an agreement with Sasol. Conditions of the agreement could be amended according to the owners' as well as Sasol's needs.

It was agreed that should any action be taken as a result of consultation/negotiation with owners, SMRD will inform and instruct the relevant parties. Consultation would then take place with the engineers and environmental consultant in cases of re-routing the servitudes in order to accommodate property owners' demands and to finalise agreements.

Records were kept of all conversations, negotiations and decisions with owners, engineers, etc. as well as all agreements entered into.

A copy of every signed servitude agreement was forwarded to the relevant property owner as well as to the Consulting Engineers.

Servitudes were negotiated with the following categories of owners:

- Bona-fide farmers (cattle, game, annual crops, perennial crops, orchards).
- Government.
- Municipalities.
- Mine-houses, private companies.
- Closed Corporations, Trusts.
- Part-time farmers.
- Professional people (attorneys, engineers, doctors, ministers, etc).

## **7. LIAISON DURING CONSTRUCTION AND REGISTRATION OF SERVITUDES**

Sasol, accompanied by the contractor, visited all affected owners before any construction started to make sure they were satisfied with the final agreed route and to discuss potential problems during construction. The contractor also noted all affected services.

Sasol attended to all complaints and possible claims received from property owners and tenants. All claims related to the servitude agreement were handled by Sasol to make sure there were no deviations on the compensation amounts. Sasol also ensured that the terms of the servitude agreements were adhered to.

After construction, the permanent servitude was surveyed and a Surveyor General (SG) diagram produced indicating the precise position of the servitude with the relevant coordinates. The SG sketches were forwarded to SMRD by the land surveyor, for registration of the servitude against the title deed of the property. Payment of the permanent servitude compensation was made within 30 days after registration.

After registration the original title deed as well as a copy of the Notarial Deed of Servitude were handed to the owner.

## **8. FINAL SERVITUDES NEGOTIATED**

The final amount of servitudes negotiated with approximately 235 different property owners was 272. All the negotiations were done on a one-on-one basis where each party had the opportunity to negotiate for compensation amounts they felt were fair, reasonable and market related.

No-one had to be re-settled on the RSA portion of the route. Route planning and route changes made it possible to accommodate all settlements.