

LETŠENG FIVE-YEAR CSRI STRATEGIC PLAN 2022-2027



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Document Control

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Approved by	CSRI-Sub Committee	Committee members		Feb 2022
Authorised by	Board of Directors	Board members		Feb 2022
Distribution	HoDs			

LETŠENG DIAMONDS FIVE-YEAR CORPORATE SOCIAL RESPONSIBILITY AND INVESTMENT (CSRI) PLAN (2022-2027)

1. Introduction

Letšeng Diamonds (“Letšeng”) engaged an independent external contractor to undertake the 2021 needs analysis study in the Mokhotlong and Thaba-Tseka districts. The needs analysis was conducted to inform the CSRI investment strategy for the next five years. The five-year CSRI strategy that has been developed based on the needs analysis, has extend to the Thaba-Tseka district.

The 2019 Mining Agreement prescribes that 1% of the dividends declared or M5 million, whichever greater between the two, should be allocated to CSRI. In addition, 1% of the proceeds from the sale of special stones should be allocated to CSRI. The five-year CSRI Strategy will be made based on this budget.

2. The objective of the need’s analysis and CSRI Strategy

The objective of the needs analysis was to engage with project affected communities and identify the needs of these communities. The needs analysis also included an assessment of existing projects to determine their sustainability. Where projects have been found to face sustainability challenges, appropriate interventions were proposed.

To illustrate the interconnectedness of the CSRI projects and the Gem Diamonds ambitions as part of its commitment to the Six UN Sustainable Development Goals (“UN SDGs”), the icons for the relevant UN SDGs have been included under each project. Where a specific icon appears, it illustrates that the project contributes to the advancement of that goal.



3. Current Projects

The following projects were reviewed to assess their sustainability:

- Botha-Bothe Vegetable Production Project,
- Maloraneng Lodge Project,
- Wool and Mohair Artificial Insemination Project, and
- The Dairy Project.

The needs analysis found that when Letšeng hands over projects to community beneficiaries, no consideration is given to the capacity or skills of the beneficiaries to successfully manage the projects without input or guidance from Letšeng. The needs analysis recommended that the Letšeng exist strategy be reviewed to include necessary capacitation and skills development of beneficiaries. It was also suggested that Letšeng, together with the beneficiaries, should consider engaging a third-party or set up a proper Board of Directors to assist with ensuring sustainability of the relevant projects following handover.

3.1. The Botha-Bothe Vegetable Project

The Botha-Bothe Vegetable Production Project consists of two components, production by individual farmers and production in the greenhouse tunnels by the farmers' association. The needs analysis found that the individual production component of the project has been successful, however farmers are not producing the anticipated quantities or quality for certain produce. While farmers have concentrated their efforts on their individual fields, they have neglected producing in the tunnels because of management challenges and conflict. The lack of clear leadership and governance was identified as challenges contributing to the sustainability concerns of the project.

There is also a need to develop the planning and production capacity of farmers and to strengthen their working relationship with the Ministry of Agriculture. Tsebo, as part of its CSRI commitment, has constructed a vegetable processing plant in Botha-Bothe. The facility provides a market for the vegetable farmers, however the farmers are producing inadequate quantity and quality of produce which is reducing the potential benefit of the market to the farmers.

In partnership with Tsebo, the following interventions will be undertaken;

- Training for farmers on technical capabilities. The training will be conducted by an external expert and financed by Tsebo.
- A gap analysis to identify shortfalls between the produce and standards required by Tsebo will be conducted.
- Farmers will be provided with additional infrastructure and equipment to increase production capacity.



3.2. The Wool and Mohair Artificial Insemination Project

The Government of Lesotho together with the Lesotho Wool and Mohair Growers Association are implementing a wool and mohair promotion project in Lesotho. The aim of the project will be to improve resilience against the adverse effects

of climate change and associated economic impact amongst the vulnerable, small-scale wool and mohair producers in Lesotho.

The wool and mohair promotion project will establish two breeding centers in the Mokhotlong and Quthing districts. Wool and Mohair artificial insemination project short term operational model was to use fresh semen and the long-term target was to migrate to stored semen. In the seven years that the project has been in operation there has been significant improvement in the breed. The farmers breeding needs will be addressed by the Wool and Mohair Promotion Project. Therefore, there will be no need to duplicate the same service that will be provided by the Wool and Mohair Promotion Project to the same group of farmers.



3.3. The Dairy Project

Sustainability challenges emerged following the handover of the Dairy Project to the beneficiaries, below recommendations have been made to improve sustainability:

3.3.1. Feeding and disease management

Feeding costs constitute the highest operational cost of the project. With the assistance of the Ministry of Agriculture, the Liphamola Dairy Farmers Association will engage in fodder production either directly by planting fields, through the mobilisation of commercial farmers or a combination of the two. This will bring about benefit to the potential commercial farmers in the Mokhotlong district to produce fodder and sell to the farm.

3.3.2. Breeding

Breeding was identified as a challenge. Cows are currently kept with a bull and the mating is happening randomly, impacting on planned cash flows. The Lesotho National Dairy Board (LNDB) is an important stakeholder in the implementation of this project and they will support the project's artificial insemination (AI) programme. LNDB provided AI training to dairy farmers across the country and Liphamola Dairy Farmers Association was included.

3.3.3. Governance

Another challenge faced by the project is governance and management. The project was run by a management committee comprising of the farmers. The committee did not have the required levels of skills to run such a big operation. The following management options have been considered to address shortfalls:

Farmers should be allowed to run the farm through their own committee

In this scenario farmers set up a management committee that is responsible to oversee the running of the farm. Staff are hired to do the day to day management of the farm, reporting to the management committee. This was the current governance structure that was found to have been problematic. An incubator could be engaged to technically support the business operations of the farm for a specific period.

Advantages

- Members will be committed because ownership will be guaranteed.
- Some members have animal husbandry skills that can benefit the farm.
- Institutional memory will be retained because of the staff employed.

Disadvantages

- Members of the association do not have skills to run the project of that magnitude. The involvement of the incubator does not guarantee that skills will be transferred to the members after incubation because most of the members are illiterate.

- Objectivity will be compromised because other members will pursue their personal interests.
- Members spent time on administration which is not their areas of expertise and little on production.

The engagement of the External Operator

In this scenario an independent operator is engaged to fully run the farm in line with performance targets. The operator will have a performance based contract that Liphamola will monitor and determine performance.

Advantages

- The person/institution with the appropriate skills will be recruited to run the farm.

Disadvantages

- The operator may not fully utilize the existing business opportunities available to be in a much better competitive status than the association when he decides to leave.
- The operator may also bring his own labour which will also leave when he leaves and thus leaving the farm with skills shortage problem.
- Members will not have full trust that the farm would still be their property if it is being run by an external person because of their limited involvement.
- This arrangement may be costly because profits will have to be shared with the operator.

Establishment of the Board of Directors

The skills set that will be needed for a proper Board of Directors will be identified. Independent directors will be recruited based on the identified skills set, preferable from Mokhotlong district. Members of the association will be represented in the Board. The incubation process will run to support both the management and the Board. This has been identified as the preferred option.

Advantages

- The required skills are guaranteed to run the project.

- Technical support by the incubator will be provided for a defined period of time.
- Knowledge and skills will be retained by the involvement of the members of the association in the Board and staff.
- Members will still assume ownership of the farm as a result of their involvement.
- External experts will not have any personal interests in the affairs of the association.

Disadvantages

- Members may feel detached from the project with the presence of external people.



3.3.4. Inclusion of key stakeholders (commercial farmers, business sector, Govt Min, LNDB)

The implementation of this plan will involve all the concerned and affected stakeholders. The Ministry of Agriculture will be involved in the farmer's trainings and in the organisation of seller and buyer meetings. The commercial farmers will be engaged to produce fodder for the farm including those in the lowlands. The identified farmers will be assisted with technical planting and pricing of their products trainings. LNDB will assist with the artificial insemination as discussed above.

4. Pae-la-Itlhatsoa and Phuthalichaba communities

These are the two villages closest to the mine and the consultations were conducted with the communities of these villages directly. In addition to the upgrading of the Maloraneng health post to a clinic, the below activities will be undertaken:

4.1. Construction of classrooms at the Ramosoeu Primary School

There are two primary schools within the Khubelu valley, the Pae-la-Itlhatsoa Primary School and the Ramosoeu Primary School. The former has been assisted in the past with the construction of classrooms and toilets. The Ramosoeu Primary School also requires additional classrooms and the construction of additional classrooms will be included in the next CSRI strategy.



4.2. Household livelihoods project

Khubelu valley communities have been badly affected by the effects of Covid-19 and they are in dire need for food and decent livelihood support. The mine is unable to employ all the community members, alternative support mechanisms such as subsistence food production initiatives and commercial food production programmes for individuals with additional capacity will be assessed. Collaboration with the Ministry of Agriculture and Marketing and the World Food programme will be established to support this programme. Specifically, the following activities will be explored:

4.2.1. Household food security:

Through a myriad of agriculture related activities farmers capacity and skills will be improved to produce more and better quality crops with minimum cost. By promoting low external input agriculture local farmers and households will be able to produce crops without relying too much on external inputs. Specific activities include:

- Backyard gardening where households produce vegetable for own consumption as the first priority. Members of community who will have the capacity to produce beyond their households needs will be linked with the market. Potentially, they will grow into entrepreneurs. Promotion of strategies such as keyholes gardens which are ideal for both the elderly, young and those weak due to long term illnesses will be looked at.

- Small Livestock Production; Included herein will be rearing and management of small livestock like multi- purpose chicken and rabbits for household consumption and income generation. These activities likewise will target OVC, elderly and sick mostly those living with HIV and AIDS.
- Seed Evaluation and Multiplication. The activity will use a farmer based research where individual farms will be encouraged to evaluate and multiply different crop seeds against their commonly planted ones, with farmer's set of indicators based on region and need, e.g. wheat straw length against seed size/productivity.
- Increasing Economic Opportunities - The purpose will be to increase community capacity towards sustainable economic development, especially among economically marginalised groups. This will entail helping the communities to exploit local resources and finding a niche within a crowded marketplace. The key to sustained economic development in rural and mostly poor communities, will lie with collective saving and loans and training of community members to constantly identify new opportunities within the local and regional marketplace.



4.3. Maloraneng Lodge Project

Maloraneng Lodge is fully owned by the community and managed by a community committee. The lodge operates under an independent operator who has been engaged by the community. It has been identified that the community representatives do not have the capacity to manage this relationship and that there will be a need to provide technical support in this regard. Renovations to the lodge will also be undertaken to optimise its full potential and deliver revenue to the communities.



5. Health Sector

The health sector faces similar challenges in both districts. Support to the primary health care sector through construction and equipping of health posts, training and provision of first aid kits to community health workers will be given priority. The objective is to invest more in prevention measures as opposed to treatment. Some of the health posts need to be upgraded to clinics and collaboration with the Ministry of Health should be made to ensure this is achieved.

5.1. Mokhotlong

5.1.1. Upgrade of Maloraneng health post to a clinic

The recommendation is to upgrade the health post in Marolaneng to a functional health facility. According to the Ministry of Health in Mokhotlong, the Pae-la-Itlhatsoa community qualifies for a fully functional clinic because of their increased population and the distance they need to travel to access health services. The Ministry of Health have committed to pay the salaries of the nurses while Letšeng will fund the infrastructure and equipment. The discussions were held with the counsellors and chiefs to identify the location where the clinic will be built.

The two below activities will be implemented in both Mokhotlong and Thaba-Tseka districts.

5.1.2. Support to the primary health care

Village health workers will be identified and trained on their roles with a special focus on preventative health care in the village. Their training will include the importance of nutrition in disease control and prevention.

Following the training, the health care workers will be provided with appropriate medical kits.

Collaboration will be made with the Ministry of Health in the implementation of this project. There is a need to fence and built additional health posts in order to improve the security of the health posts and to increase access to health care.



5.1.3. Covid-19 support programme

Covid-19 evolved into a socio-economic concern in remote areas. A need for further Covid-19 awareness and prevention campaigns has been identified. The provision of basic hygiene supplies such as soap, tippy taps, sanitisers and masks is recommended to be part of the primary health care support.

The household livelihoods project was to be implemented together with the Covid-19 programme to ensure that food security is obtained during these challenging times. Capacitation workshops will be held for the community leaders at the village level to educate them of their responsibilities in the fight against Covid-19. This will be done in collaboration with the national Covid-19 coordinating authority and the Covid-19 district coordinating structures.



5.2. Thaba-Tseka

In addition to the government hospital, Thaba-Tseka is also served by church owned hospitals, namely St James and Paray hospitals. There is a need to

provide additional infrastructure and equipment at the hospitals, both government and church owned, to improve service delivery services. Specifically, the following interventions will be undertaken:

5.2.1. Support to the primary health care and Covid-19 support programme

The two activities will be implemented the same way as in Mokhotlong as depicted under 5.1.2 and 5.1.3 above. In addition, construction of three health posts will be considered in Thaba-Tseka. Health centres committees will be revived and trained to build their capacity to coordinate the health activities at the village level.



5.2.2. Support to Paray, Government and St Joseph Hospitals

Infrastructural needs of the hospitals such as extension of maternity and pediatric wards, nurse's accommodation and supply of appropriate medical equipment to improve care of the patients will be considered.



6. Education Sector

6.1. Mokhotlong

6.1.1. Construction of classrooms, toilets and water provision

The below schools have been identified as the most vulnerable in terms of infrastructure and need to be assisted. There are inadequate classrooms and

as a result children are exposed to harsh weather conditions because they attend classrooms in the open. There is also a shortage of toilets which results in students and teachers using dongas to relieve themselves. This impacts on the dignity and ability of children to learn, the dignity and ability of teachers to teach and environmental pollution.

Rank	School	Needs
1	Nthlolohetsane Primary School	Classrooms, toilets, potable water
2	Jerose Primary School	Classrooms, toilets, potable water
3	Ralefatla Primary	Classrooms, toilets, potable water
4	Bafatsane Primary	Classrooms, toilets, potable water
5	Mateanong Primary	Classrooms
6	Malubalube Secondary School	Classrooms
7	Ramosoeu Primary School	Classrooms, toilets, potable water



6.2. Thaba-Tseka

6.2.1. Construction of classrooms, toilets and water provision

Construction of classrooms, ablution and potable water supply facilities as well as the supply of furniture are the critical needs of the below education institutions. The following schools will be prioritized for the construction of the classrooms, toilets and potable water supply:

Rank	School	Needs
1	Mots'oanakaba High School	Classrooms, toilets, potable water
2	Bofoma Primary School	Classrooms, toilets, potable water

3	Bokhoasa Primary School	Classrooms, toilets, potable water
4	Khalanyane Primary School	Classrooms, toilets, potable water
5	Lekorana Primary School	Classrooms, toilets, potable water



6.2.2. Support to tertiary institutions

This support is to be provided to the post-secondary institutions in Thaba-Tseka such as, Paray school of Nursing, Thaba-Tseka College of Education and Thaba-Tseka Technical and Vocational School (TTI). Molumong Vocational School in Mokhotlong should also be supported to increase its intake and improve efficiency. This will ensure that students are trained in their own districts instead of having to relocate to Maseru for vocational and nursing training. The following will be considered under the plan:

- Purchase and upgrade of leather and upholstery, textile, carpentry and joinery, metalwork and automotive equipment for TTI.
- Infrastructural needs of Paray school of nursing and Thaba-Tseka College of Education such as classrooms and laboratories.
- Molumong Vocational School needs construction of Engineering workshops to accommodate for other courses that are currently offered under the same building. It further needs to be externally assessed for the courses to be recognized in the job market and for the authenticity of its graduates.



6.3. Provision of educational scholarships and internships

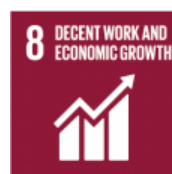
The provision of educational scholarships in courses related to the development of natural resources at the tertiary level will be continued. Provision of a minimum of 8 internships will be provided at the mine per annum. These provisions are prescribed in the mining agreement and are managed by the Human Resources department.



6.4. Early Childhood Development (ECD)

The need for early ECD was identified in both districts as critical. There are currently no formal ECD facilities to prepare young kids for school and provide safe spaces for socialization and emotional development.

ECD centers will be identified in the two districts for necessary training and equipping. Most of the current childcare centers are owned by individuals who have not even been properly trained in running such facilities. Those who will complete the trainings will then be offered basic equipment necessary to be used at the properly establish ECD centre.



7. SMME-New income generating projects

7.1. Seed Potato Producers

Mokhotlong and Thaba Tseka's topographies and climate are best suited for production of certain varieties. Several agricultural varieties were identified

that are found in abundance in the districts, that citizens are already involved in producing at subsistence level. There is potential to upscale production capabilities to produce for commercial consumption.

Specifically, there is potential to produce seed potatoes in both districts. Consultation will be made with the potato seed producers associations to identify what they need to enable them to produce commercially. An in-depth study of the feasibility of the production of seed potatoes in the two districts will be undertaken. Both associations in Mokhotlong and Thaba-Tseka will be supported to commercially produce seed potatoes. Some of the areas that will need to be given attention are listed below:

7.1.1. Weak producer organization

Currently, the structure and organization of the two associations of seed potato producers in Thaba-Tseka and Mokhotlong are weak and unable to provide ancillary support services to its members. The seed potato producers associations need to be strengthened and their capacity to provide ancillary support services to its members enhanced together with its capacity to enter into contracts with private supply chain integrators.

7.1.2. Processing and packaging opportunities for value add

The market for table potatoes remains underdeveloped in Lesotho and no distribution channels have yet been developed into South Africa. No formal distribution channels operate which potato growers can use to facilitate access to markets and no value added processing (e.g. washing, sorting, bagging and order filling) is currently available for seed potatoes in Lesotho. These are the challenges that the associations need to address in order to successfully commercialise seed potato production.

7.1.3. Business partnerships and linkages

Limited efforts have been undertaken to develop strategic partnerships with large South African and International seed companies, for the distribution of seed potatoes on a large scale. Producing in large quantities will need to

consider offtake agreements with international markets to ensure sustainability. Working closely with the department of Marketing in the Ministry of Agriculture efforts will be made to attract and tap the international market.



7.2. Thaba-Tseka Wool and Mohair Development Project

The following interventions will be made for Thaba-Tseka Wool and Mohair Growers Association:

7.2.1. Construction and renovation of woolsheds

Some farmers have to drive their livestock over rugged terrain for several days to reach a shearing point. On the way animals become sick and die, or some normally pick up seeds and burrs that bring down the value of their wool. Farmers bear the expense and risk of these long journeys in more ways than one. On every trip to the woolsheds farmers risk substantial losses. There have been cases of theft of farmers flock especially for those who travel over nights on their way to the woolsheds. The above are the results of limited number of woolsheds in the Thaba-Tseka district.

Woolsheds are an important component in the wool and mohair value chain because they are places where wool and mohair are harvested. Four woolsheds need to be constructed while around ten needs to be renovated across the district. The most critical places for the construction of woolsheds are Mantšonyane Ha Mokhethi, whose inhabitants have always borne long distances and all the ordeals mentioned above. Lesobeng also has the highest concentration of animals that force the shearing season to extend for a very long time such that farmers lose value due to frailing animals and market opportunity.

7.2.1.1. Construction of plunge dips

In order to enhance the quality of wool and mohair plunge dips are needed around the woolsheds for animals to be protected against parasites that cause damage to wool and mohair. These will be convenient to farmers to utilize during the shearing season or when there is an outbreak of similar diseases that can be tackled through dipping. Construction of the plunge dips will be done at the above identified woolsheds.

7.2.2. Artificial Insemination programme

Breeding forms an important part of the wool and mohair development project. Thaba-Tseka Wool and Mohair Growers Association will be assisted with an artificial insemination programme that will use both fresh and stored semen. Rams of high quality will be purchased while a stored semen facility with nitrogen oxygen tanks will be constructed. The project will be run by Thaba-Tseka Wool and Mohair Growers Association.



7.3. Egg Production Project

The egg production project is financed by the proceeds from the sale of the Lesotho Legend special stone. The project which started being implemented in 2021 will follow a similar governance structure with the dairy project. A Board of Directors will be appointed to run the project. Egg circles construction will be completed in December 2021. A six months preparatory project phase will start in October 2021. It is in this phase that all the preparatory work towards the implementation of the project will be undertaken. The following activities will be done during the preparatory phase of the project:

- Recruitment of staff and the Board of Directors
- Training of the farmers
- Development of internal systems

- Contracting of the off-takers

Business incubation will be undertaken through the support of BEDCO for a certain period of time. The objective is to ensure that governance structures of the project are well established before handing over the project to the beneficiaries.



8. Community Infrastructure Projects

The consultations established that the topology of Mokhotlong and Thaba-Tseka districts makes it difficult to reach certain places and communities. This makes it tough to provide emergency health and security services. This is particularly common in rural areas where cross border theft is ripe.

Priority will be given to the provision of toilets and construction of classrooms that have been requested under the education section. Furthermore, footbridges will be considered in order to ease movement between villages especially in the rural areas where infrastructure development is given less attention. In Thaba-Tseka in particular the Leaoa-Machoaboleng footbridge at Malibamatsho River and Khotsong-Motake footbridge at S'khimane River were identified as the most crucial.



9. Community environmental projects and other areas of interventions

The purpose of the project is to empower selected rural community (Maloraneng) to manage their natural assets (soils, wetlands, rangelands etc.) in ways that will improve their livelihoods, resilience to climate change and promote food security. The work

around this project will involve the deliberate and systematic integration of all critical elements for the sustainable management of land that will function to restore ecosystem services and maintain healthy livelihoods of the community.

Specific objectives

- To establish a community nursery for both native plants and vegetables for income generation and food security;
- To rehabilitate identified wetland systems and rangelands in order to achieve pragmatic ecosystem services through assisted restoration measures;
- To encourage environmental awareness and responsibility; and
- To develop partnerships between local community, schools and other organizations of the same interest.

10. Sponsorships and Donations

Sponsorships and donations will be received and reviewed in accordance with the donations policy. Donations constitute a small percentage of the CSRI budget. They are dealt with whenever there is such a need. A similar process will be followed under this strategy.