

NATIONAL ADVISORY COUNCIL TO The Thalidomide Trust

The Diageo Review 2022: Questions & Answers for Beneficiaries

Background to 2022 Discussions with Diageo

Q1: How do funds from Diageo help beneficiaries?

A: The Trust receives payments from Diageo each year so that every beneficiary can receive their Annual Grant (including an annual inflationary increase) every year for the rest of their lives. In addition, Diageo covers the Trust's operating costs and investment managers' fees.

Diageo's annual payment is less than the Annual Grants paid out each year, so the Trust takes some money each year from the Trust investments to top up what is needed. Currently, approximately two thirds of the Annual Grants come from the annual payment by Diageo, and one third from Trust investments.

Q2: What is the Diageo Review?

A: Diageo plc are the main funders of the Thalidomide Trust. Diageo (following acquisitions and mergers) inherited Distillers' legal obligations to Trust beneficiaries. These obligations are set out in a legal document – called a Deed of Covenant – which was last reviewed and updated in 2016.

Under this Covenant agreement, the Chair of Trustees, the Chair of the NAC and the Chair of Diageo meet every six years to review the terms of the Covenant in the light of beneficiary numbers, beneficiary needs and the financial position of the Trust.

As part of the review, actuarial evidence is used to examine such things as investment returns, inflation, and life expectancy. This helps determine whether the payments agreed by Diageo need reviewing.

The review also is an opportunity to present an up-to-date picture of beneficiaries' needs to Diageo. This could include showing how beneficiaries' health is deteriorating faster than that of the general population and explaining how this creates extra costs in areas of care, personal assistance, medical interventions, aids and adaptations.

Q3: What happened as a result of the last Diageo Review in 2016?

A: The Review secured increased funding (which meant that each beneficiary had a one-off Capital Health Payment equivalent to 1.5 times their Annual Grant to help with capital needs), along with additional funding which improved the financial security of the Trust.

The full agreement with Diageo is confidential, so cannot be shared beyond the individuals involved in discussions with Diageo. However, a summary of the key terms was announced by Diageo at the time in 2016 (see box on p2).

[From announcement made in 2016]

'Diageo has announced that following a scheduled review of its financing of the UK Thalidomide Trust it has reached a new agreement with the Trustees of the Thalidomide Trust and the Thalidomide Trust's National Advisory Council, and Diageo's financial support of the Trust will increase by £45 million. Diageo is committed to the long-term support of the Thalidomide Trust and its beneficiaries and this new agreement underlines that commitment.

Under [the 2016] agreement Diageo has:

- Increased its financial support to the beneficiaries of the Thalidomide Trust through a one-off payment of £27 million to help them cover capital costs associated with their changing health needs.
- Improved the financial security of the Trust fund and ensured that the Trust's funding addresses changing investment returns and interest rates.
- Reiterated its commitment to the long-term support and appropriate care of all Thalidomide Trust beneficiaries, including the eight new beneficiaries accepted by the Trust between the previous Agreement in 2012 and September 2016.
- Provided funding to employ additional staff to support the beneficiaries with their ongoing and increasing health and well-being needs.'

What the 2022 Discussions with Diageo Involve

Q4: What preparations are being made for the upcoming Diageo Review in 2022?

A: A working group has been set up – the Diageo Chairs' Review Working Group (DCRWG) – to jointly agree and prioritise what to ask Diageo for, potentially in a new Covenant. The working group will take part in a scheduled series of meetings with Diageo, starting in April 2022, with the final outcome agreed in November 2022.

The members of the DCRWG are:

- Three trustees (including the Chair of Trustees, Mark Spofforth)
- Three NAC members (Rowland Bareham as Chair; Craig Millward as Deputy Chair and Nick Dobrik as Campaigns Team lead)
- The three members of the Trust's senior management (the Executive Director, the Director of Finance, and the Director of Health & Wellbeing)

Q5: What kind of options could be put to Diageo in the discussions?

A: You are welcome to put forward your own suggestions on the consultation form. Here is an illustration of some existing possible options:

- Each beneficiary getting another one-off lump sum, as in 2016, in addition to their Annual Grant
- Each beneficiary getting an increase in their future Annual Grants

- An increase in the Trust's operating cost budget, enabling it to offer increased health and wellbeing support to beneficiaries, for example extending the private referrals scheme to cover the cost of necessary medical treatment and/or developing tailored pain management programmes and increased mental health support.
- Putting additional measures in place to ensure that future funding from Diageo is completely secure, even in exceptional circumstances such as a takeover or merger.

These options are not necessarily mutually exclusive. The discussions could result in a combination of options being agreed.

Consultation with Beneficiaries

Q6: How are beneficiaries being consulted?

A: It's crucial that the views of the beneficiaries are considered by the working group, so that beneficiaries' needs and ideas underpin and inform the case which the group makes to Diageo.

The Chair of the NAC has written to all beneficiaries, asking what they would like us to get from Diageo in these discussions and to explain how, if this was successful, it would help meet their needs now or in the future. All beneficiaries, if they wish, have the opportunity to submit their ideas, either online or (if you live in the UK) by freepost, in response to this letter.

Your response must be received by **Monday 6 December**. If you have any questions about the consultation process or would like help filling in the form, you can email feedback@ttnac.org or phone the Trust office to arrange for telephone help. There will be a Q&A on zoom at 2pm on Friday 26 November. If you would like to join the Q&A, please email feedback@ttnac.org for a link.

The Diageo working group has also asked the trustees, the NAC and Trust staff for ideas to be considered and is reviewing the evidence we have already gathered (for example, findings from HNAs) about the needs and challenges facing the beneficiary community.

From all these views, the Diageo working group will compile a longlist of potential things to ask Diageo for. These will be prioritised into a shortlist to take to the Diageo discussions next year.

Q7: How should I answer the two questions on the consultation form?

A: The NAC wants to understand:

- What would you like us to get from Diageo in these discussions?
- How would this help with the challenges that you are currently facing or will be facing in future?

The NAC needs to have answers to both questions, so that we can use the information to demonstrate **why** the beneficiary community needs what we are asking for. To say you want an extra £X without explaining the benefits this will bring or needs it will meet, will not help the NAC, and the working group as a whole, to put a convincing case to Diageo on behalf of the beneficiary community. You don't need to include huge amounts of detail, just to share what would make a difference to you.

Q8: I've got ideas to share, how can I respond?

A: Please respond online if you can, using the link in the email to the consultation form. It's quicker and easier to process than sending in your response by post. However, if it's difficult to respond online, you can use the paper form and pre-paid envelope if you live in the UK. You can also email

feedback@ttnac.org or contact the Trust to ask for a phone call from an NAC member, if you would rather share your ideas verbally or need help filling in the form. All responses must be received by **Monday 6 December**.

Q9. How will the working group choose which ideas go forward to Diageo?

A: The NAC hopes that there will be a lot of ideas from beneficiaries to consider. We expect these will be able to be grouped together into different themes. Different ideas on the same theme should add strength to each other, although some will be contradictory. Therefore, a judgement will have to be made as to which ideas are well-supported by beneficiaries **and** most likely to have a positive impact if taken forward.

Everything that goes onto the shortlist will need to be evidence-based and will need to show how it will have a positive and significant impact on many beneficiaries' lives. **Not every individual idea will be able to be included on the shortlist, but all ideas will help develop the themes which the list covers.**

We are unlikely to achieve everything we ask for. However, the NAC and other members of the DCRWG will try to make the strongest case possible. Knowing that the beneficiary community has been consulted and submitted ideas helps strengthen the case made to Diageo.

Q10: Will the NAC know who has submitted which ideas?

A: Since this is a consultation where we are asking beneficiaries for their ideas, the NAC may want to contact some people to seek clarification or to ask questions about these ideas. Therefore, we ask you for your contact details. If you do not feel comfortable sharing your details, you don't have to.

Returned forms will all be processed by an external agency, Marketing Means – who have administered our Beneficiary Feedback Surveys – and they will analyse which needs are highlighted most frequently and identify themes. Although this information will be shared with the working group and potentially submitted to Diageo, specific ideas and suggestions will not be attributed to individual beneficiaries.

Q11: What happens after the NAC has consulted with beneficiaries?

A: Monday 6 December 2021: Deadline for responses. Once the deadline has passed, all the responses received will be analysed into themes and summarised for the working group. The group will use this information to help decide which items from the longlist should make it onto the shortlist.

March 2022: The Chair of the NAC will write to all beneficiaries again explaining the shortlist that will be put to Diageo during the discussions.

April 2022: A series of discussions between the Diageo working group and Diageo staff will start to prepare for a formal meeting between the Chair of Diageo, the Chair of the NAC and the Chair of Trustees in November 2022 to finalise an agreement.

November 2022: News of the outcome of the final meeting with the three Chairs in November 2022 will be released as soon as possible. In 2016, as a result of financial reporting rules for Diageo, a statement from Diageo and the Trust was simultaneously announced to the shareholders (for Diageo) and to the beneficiaries (for the Trust). In accordance with Stock Exchange rules on insider information, it was not possible to inform the beneficiaries before the public announcement.

Please email feedback@ttnac.org with any further questions.