Financial Adviser

«ClientName»
«ClientAdd1»
«ClientAdd2»
«ClientAdd3»
«ClientAdd4»
«ClientAdd5»
«ClientAdd6»

«AgentName»
«AgentAdd1»
«AgentAdd2»
«AgentAdd3»
«AgentAdd4»
«AgentAdd5»
«AgentAdd6»

July 2022

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF IN DOUBT PLEASE SEEK PROFESSIONAL ADVICE.

Dear Policyholder

Policy Number: «Policy_No»
Your financial adviser: «AgentName»

Notification of changes to the underlying fund of J39 Schroder US Smaller Companies

We are writing to you as your policy or contract holds units the Friends Provident International Limited ("FPIL") mirror fund named above (the "Affected Mirror Fund").

We have been notified by Schroder Investment Management (Europe) S.A. ("Schroders") of the following upcoming changes to the underlying fund of the Affected Mirror Fund. These changes will take effect from **16 August 2022** (the "Effective Date").

Summary of Changes, Background and Rationale

Schroders has advised that the underlying fund of the Affected Mirror Fund will change its strategy to be focused on sustainable investments, in line with Article 9 of Regulation (EU) 2019-2088 of the European Parliament and of the Council of 27 November 2019 on sustainability related disclosures in the financial sector ("SFDR"). The name, objective and policy of the underlying fund of the Affected Mirror Fund will be amended to reflect this.

From the Effective Date the underlying fund of the Affected Mirror Fund's name will change to Schroder International Selection Fund – US Smaller Companies Impact. Accordingly the Affected Mirror Fund name will be changed to **J39 Schroder ISF US Smaller Companies Impact (USD)**. In addition, the following changes will be made to the investment objective and policy of the underlying fund of the Affected Mirror Fund:

- the investment objective and policy will change to be focused on sustainable investments by adopting the best-in-class / positive screening strategy; this will include an updated disclosure to reflect that going forward the underlying fund is expected to hold fewer than 50 companies;
- the underlying fund's sustainability criteria will be amended to explain the new best-in-class / positive screening approach; and
- the underlying fund will have the objective of sustainable investment within the meaning of Article 9 of the SFDR.

Full details of the changes to the investment objective and policy and the risks of the underlying fund of the Affected Mirror Fund can be seen in the **Appendix** to this letter.

There are no other changes to the underlying fund of the Affected Mirror Fund and the Company have advised that there will be no material change to the in the operation and/or manner in which it is being managed as a result.

You do not need to take any action as a result of this letter if you wish to remain invested in the Affected Mirror Fund. Should you wish to select alternative fund(s), you are free to do so, without charge. This can be done online through the FPI Portal - simply log in at https://portal.fpinternational.com.

We recommend that you seek the advice of your usual financial adviser before making any investment decisions.

Factsheets for the available FPIL mirror funds can be found via our interactive Fund Centre research tool on our website www.fpinternational.com/fundcentre. Full details on the underlying funds of the mirror funds can be found in the fund prospectus, which is available on request.

Getting in touch

If you have any questions regarding your policy, please get in touch by calling us on +44 1624 821212, or by email at customer.services@fpiom.com.

If you have any questions regarding the operation of the FPIL funds or the underlying funds, please contact our Investment Marketing team at Fundqueries.Intl@fpiom.com.

Yours sincerely

Chris Corkish
Investment Marketing Manager

Fund prices may fluctuate and are not guaranteed. Investment involves risks. Past performance should not be viewed as a reliable guide of future performance.

Please refer to the principal brochure of the scheme for details including charges and risk factors.

Should Friends Provident International be unable to meets its liabilities to its policyholders, they will receive the protection of the Life Assurance (Compensation of Policyholders) Regulations 1991 of the Isle of Man. However investors should be aware that specific investor protection and compensation schemes that may exist in relation to collective investments and deposit accounts are unlikely to apply in the event of failure of such an investment held within insurance contracts.

Appendix

Affected Mirror Fund	Before the Effective Date	From the Effective Date
Mirror Fund Name	J39 Schroder US Smaller Companies	J39 Schroder ISF US Smaller Companies Impact (USD)
Underlying Fund Name	Schroder ISF US Smaller Companies A1 Acc USD	Schroder ISF US Smaller Companies Impact A1 Acc USD
Underlying Fund Investment Objective	The underlying fund aims to provide capital growth in excess of the Russell 2000 Lagged (Net TR) index after fees have been deducted over a three to five year period by investing in equity and equity related securities of small-sized US companies.	The underlying fund aims to provide capital growth in excess of the Russell 2000 Lagged (Net TR) index after fees have been deducted over a three to five year period by investing in equity and equity related securities of small-sized US companies which help to advance the UN SDGs and which the investment manager of the underlying fund deems to be sustainable investments.
Underlying Fund Investment Policy	The underlying fund is actively managed and invests at least two-thirds of its assets in equity and equity related securities of small-sized US companies. These are companies which, at the time of purchase, are considered to be in the bottom 30% by market capitalisation of the US equities market. The underlying fund invests in a broad range of smaller companies in the US in the belief that they will offer better growth prospects than their larger peers over the medium to long term. The investment approach focuses on three types of companies: companies that the investment manager of the underlying fund believes demonstrate strong growth trends and improving levels of cash; companies that the investment manager of the underlying fund believes generate dependable earnings and revenues; and companies that the investment manager of the underlying fund believes are undergoing positive change that is not being recognised by the market. By doing so, the investment manager of the underlying fund believes that it can	The underlying fund is actively managed and invests at least 75% of its assets in sustainable investments, which are investments that the investment manager of the underlying fund expects to contribute towards the advancement of an environmental or social objective linked to one or more of the UN SDGs, and to deliver returns to shareholders over the long term. The investment manager of the underlying fund will select companies from a universe of eligible companies that have been determined as meeting the investment manager of the underlying fund's impact criteria. The impact criteria include an assessment of the company's contribution to the UN SDGs. This means that the extent to which companies deliver a direct or indirect positive impact to society in order to advance the UN SDGs together with the impact that these actions could have on a company's value are considered in the assessment of companies. Please see the underlying fund' "Fund Characteristics" section for more details.

	reduce overall risk and improve returns for investors over the medium to long term. The underlying fund may also invest up to one-third of its assets directly or indirectly in other securities (including other asset classes), countries, regions, industries or currencies, Investment Funds, warrants and Money Market Investments, and hold cash (subject to the restrictions provided in Appendix I of the underlying fund prospectus). The underlying fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the underlying fund more efficiently. The underlying fund maintains a higher overall sustainability score than the S&P Small Cap 600 Lagged (Net TR) Index, based on the investment manager of the underlying fund's rating criteria. More details on the investment process used to achieve this can be found in the underlying fund's "Fund Characteristics" section. The underlying fund does not directly invest in certain activities, industries or groups of issuers above the limits listed under "Sustainability Information" on the underlying fund's webpage, accessed via www.schroders.com/en/lu/private-investor/gfc.	The underlying fund does not directly invest in certain activities, industries or groups of issuers above the limits listed under "Sustainability Information" on the underlying fund's webpage, via www.schroders.com/en/lu/private-investor/gfc The underlying fund invests in companies that do not cause significant environmental or social harm and have good governance practices, as determined by the investment manager of the underlying fund's rating criteria (please see the underlying fund's "Fund Characteristics" section for more details). The underlying fund may invest in companies that the investment manager of the underlying fund believes will improve their sustainability practices within a reasonable timeframe, typically up to two years. The investment manager of the underlying fund may also engage with companies held by the underlying fund to challenge identified areas of weakness on sustainability issues. More details on the investment manager of the underlying fund's approach to sustainability and its engagement with companies are available on the website www.schroders.com/en/lu/private-investor/strategic-capabilities/sustainability The underlying fund invests at least two-thirds of its assets in a concentrated range of equity and equity related securities of small-sized US companies. These are companies which, at the time of purchase, are considered to be in the bottom 30% by market capitalisation of the US equities market. The underlying fund typically holds fewer than 50 companies.

		The underlying fund may also invest up to one-third of its assets directly or indirectly in other securities (including other asset classes), countries, regions, industries or currencies, Investment Funds, warrants and Money Market Investments, and hold cash (subject to the restrictions provided in Appendix I of the underlying fund prospectus). The underlying fund may use derivatives with the aim of achieving investment gains, reducing risk or managing the underlying fund more efficiently.
Underlying Fund Benchmark	The underlying fund's performance should be assessed against its target benchmark being to exceed the Russell 2000 Lagged (Net TR) index and compared against the Morningstar US Small-Cap Equity Category and the S&P Small Cap 600 Lagged (Net TR) index. The underlying fund's investment universe is expected to overlap materially with the components of the target benchmark and the S&P Small Cap 600 (Net TR) Lagged index. The comparator benchmarks are only included for performance comparison purposes and do not have any bearing on how the investment manager of the underlying fund invests the underlying fund's assets. The investment manager of the underlying fund invests on a discretionary basis and there are no restrictions on the extent to which the underlying fund's portfolio and performance may deviate from the target benchmark or the S&P Small Cap 600 Lagged (Net TR) index. The investment manager of the underlying fund will invest in companies or sectors not included in the target benchmark or the S&P Small Cap 600 Lagged (Net TR) index in order to take advantage of specific investment opportunities. The target benchmark has been selected because it is representative of the type of investments in which the underlying fund is likely to invest	The underlying fund's performance should be assessed against its target benchmark being to exceed the Russell 2000 Lagged (Net TR) index and compared against the Morningstar US Small-Cap Equity Category and the S&P Small Cap 600 Lagged (Net TR) index. The underlying fund's investment universe is expected to overlap materially with the components of the target benchmark and the S&P Small Cap 600 (Net TR) Lagged index. The comparator benchmarks are only included for performance comparison purposes and do not determine how the investment manager of the underlying fund invests the underlying fund's assets. The investment manager of the underlying fund invests on a discretionary basis and there are no restrictions on the extent to which the underlying fund's portfolio and performance may deviate from the target benchmark or the S&P Small Cap 600 Lagged (Net TR) index. The investment manager of the underlying fund will invest in companies or sectors not included in the target benchmark or the S&P Small Cap 600 Lagged (Net TR) index in order to take advantage of specific investment opportunities. The target benchmark has been selected because it is representative of the type of

	and it is, therefore, an appropriate target in relation to the return that the underlying fund aims to provide. The comparator benchmarks have been selected because the investment manager of the underlying fund believes that each benchmark is a suitable comparison for performance purposes given the underlying fund's investment objective and policy. The benchmark(s) does/do not take into account the environmental and social characteristics or sustainable objective (as relevant) of the underlying fund.	investments in which the underlying fund is likely to invest and it is, therefore, an appropriate target in relation to the return that the underlying fund aims to provide. The comparator benchmarks have been selected because the investment manager of the underlying fund believes that each benchmark is a suitable comparison for performance purposes given the underlying fund's investment objective and policy. The benchmark(s) does/do not take into account the environmental and social characteristics or sustainable objective (as relevant) of the underlying fund.
Underlying Fund Characteristics: Sustainability Criteria	The investment manager of the underlying fund applies governance and sustainability criteria when selecting investments for the underlying fund. Companies in the investment universe are assessed on their governance, environmental and social profile, across a range of factors. The investment manager of the underlying fund performs its own due diligence on potential holdings including, where possible, meetings with senior management. The investment manager of the underlying fund analyses information provided by the companies, including information provided in company sustainability reports and other relevant company material. The investment manager of the underlying fund will also scrutinise other disclosures, including third party reports, and will typically engage with the company during the assessment process and afterwards if the company is selected for the portfolio. This assessment is supported by quantitative analysis from Schroders'	The investment manager of the underlying fund applies sustainability criteria when selecting investments for the underlying fund. Investments are composed of companies that have been determined as meeting the investment manager of the underlying fund's impact criteria i.e. companies whose products and services solve one of the UN SDG gaps or that operate in a mainstream industry that indirectly solves one of the UN SDG gaps. In order to identify companies with a direct link to a UN SDG, the investment manager of the underlying fund uses a proprietary screening tool to map company revenue to UN SDGs. The tool splits revenue into numerous different categories linked to UN SDGs. While the investment manager of the underlying fund uses the tool to assess individual companies, it also enables the investment manager of the underlying fund to measure the overall revenue link to UN SDGs on a consolidated portfolio level. The investment manager of the underlying fund has identified three types of companies that will make up the portfolio.

	proprietary sustainability tools. Through such tools, analysts are able to compare companies based on the metrics selected, their own company assessment scores or adjusted rankings (size, sector or region), with the flexibility to make company specific adjustments to reflect their detailed knowledge. More details on the investment manager of the underlying fund's approach to sustainability and its engagement with companies are available on the website www.schroders.com/en/lu/private-investor/strategic-capabilities/sustainability/disclosures. The investment manager of the underlying fund ensures that at least: - 90% of equities issued by large companies domiciled in developed countries; fixed or floating rate securities and money market instruments with an investment grade credit rating; and sovereign debt issued by developed countries; and - 75% of equities issued by large companies domiciled in emerging countries; equities issued by small and medium companies; fixed or floating rate securities and money market instruments with a high yield credit rating; and sovereign debt issued by emerging countries, held in the underlying fund's portfolio are rated against the sustainability criteria. For the purposes of this test, small companies are those with market capitalisation below €5 billion, medium companies are those between €5 billion and €10 billion and large companies are those above €10 billion.	The first type are highly innovative companies whose business model solves a direct need within the UN SDGs. These are growth companies whose solution to a UN SDG gap can be scaled. The second type are companies that are already generating revenues that have an impact (i.e. contribution to some or all of the UN SDGs), but do not articulate or highlight that impact. These are companies the investment manager of the underlying fund can identify due to its deep understanding of the US Small Cap universe where it sees a re-rating opportunity. By identifying these companies, the companies can better articulate and become more transparent about their impact opportunity. This is expected to be the largest group in the underlying fund's portfolio. The third type will tend to have the lowest level of revenue link to UN SDGs. These are companies who require a business model transition in order for its business to survive. These are companies the investment manager of the underlying fund believes have the ability and desire to transition and where it sees the ability to help guide such companies on that journey. Each investment must have some revenue linking to a UN SDG. Based on where the investment falls within the three types the level of linked revenue will vary. The investment manager of the underlying fund ensures that at least 90% of companies in the underlying fund's portfolio are rated against the sustainability criteria. As a result of the application of sustainability criteria, at least 20% of the underlying fund's potential investment universe is excluded from the selection of investments. For the purposes of this test (i.e. determination of the percentage of

		the underlying fund's potential investment universe that has been excluded from the selection of investments), the potential investment universe is the core universe of issuers that the investment manager of the underlying fund may select for the underlying fund prior to the application of sustainability criteria, in accordance with the other limitations of the Investment Objective and Policy. This universe is comprised of equity and equity related securities of small-sized US companies or companies which derive a significant proportion of their revenues or profits from small-sized US companies.
Underlying Fund Characteristics: Sustainability risk factor	The underlying fund has environmental and/or social characteristics (within the meaning of Article 8 SFDR). A Fund with these characteristics may have limited exposure to some companies, industries or sectors as a result and the underlying fund may forego certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the investment manager of the underlying fund. As Investors may differ in their views of what constitutes sustainable investing, the underlying fund may also invest in companies that do not reflect the beliefs and values of any particular Investor. Please refer to Appendix II of the underlying fund prospectus for more details on sustainability risks.	The underlying fund has the objective of sustainable investment (within the meaning of Article 9 SFDR). A Fund with this objective may have limited exposure to some companies, industries or sectors as a result and the underlying fund may forego certain investment opportunities, or dispose of certain holdings, that do not align with its sustainability criteria chosen by the investment manager of the underlying fund. As Investors may differ in their views of what constitutes sustainable investing, the underlying fund may also invest in companies that do not reflect the beliefs and values of any particular Investor. Please refer to Appendix II of the underlying fund prospectus for more details on sustainability risks. **<u>Risks relating to sustainable investment approach</u>** **Concentration risk:** The underlying fund follows a sustainable investment approach, which may cause it to be overweight and/or underweight in certain sectors and thus perform differently than funds that have a similar objective but which do not incorporate sustainability investment criteria when selecting securities. The value of the underlying fund will be more volatile

		than that of a fund having a more diverse portfolio of investments. **Subjective judgment in investment selection:** In pursuing the sustainable investment approach, the investment manager of the underlying fund integrates certain environmental and social sustainability themes into the investment selection process, which involves analysis of potential investment based on certain “sustainability factors”. Such assessment by the investment manager of the underlying fund is subjective in nature and therefore it is possible that the investment manager of the underlying fund may have a different interpretation of what is sustainable compared to another manager which may lead to the underlying fund investing in certain opportunities or foregoing investment opportunities when it might otherwise be advantageous to do so and/or selling securities due to their sustainable characteristics when it might be disadvantaged to do so. **Exclusion risk:** Environmental and social exclusion criteria used in the underlying fund’s investment strategy may result in the underlying fund foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, and/or selling securities due to their environmental and social characteristics when it might be disadvantageous to do so. As such, the application of exclusion criteria may restrict the ability of the underlying fund to acquire or dispose of its investments at a price and time that it wishes to do so, and may therefore result in a loss to the underlying fund. **Reliance on corporate data or third-party information**: When assessing a potential investment based on the underlying fund’s sustainability criteria, the

		investment manager of the underlying fund is dependent upon information and data from the security issuer and/or third-parties. Such information or data may be incomplete, inaccurate or inconsistent. The lack of a standardized taxonomy may also affect the investment manager of the underlying fund's ability to measure and assess the environment and social impact of a potential investment. **Change in nature of investments:** The securities held by the underlying fund may be subject to style drift which no longer meet the underlying fund's sustainability criteria after its investments. The investment manager of the underlying fund may have to sell such security held by the underlying fund at a disadvantageous price. This may lead to a fall in the value of the underlying fund. **Portfolio Concentration Risk:** Although the strategy of the underlying fund of investing in a limited number of assets has the potential to generate attractive returns over time, the underlying fund which invests in a concentrated portfolio of securities may tend to be more volatile than a fund which invests in a more broadly diversified range of securities. If the assets in which the underlying fund invests perform poorly, the underlying fund could incur greater losses than if it had invested in a larger number of assets.