FMC Technologies Pension Plan

Statement of Investment principles

Introduction

This Statement of Investment Principles (SIP) has been prepared by the Trustee of the FMC Technologies Pension Plan (the Plan) to comply with the requirements of the Pensions Acts 1995, as amended, the Pensions Act 2004, as amended (together the Acts), the Occupational Pension Schemes (Investment) Regulations 2005, as amended, and it also has regard to the Governments Voluntary Code of Conduct for Institutional Investment in the UK.

The Trustee has sought advice from its Investment Consultant, Cambridge Associates Ltd on the content of this document and consulted with the Principal Employer (FMC Technologies Ltd).

The Trustee does not expect to revise this Statement frequently as it covers broad principles. However, the Trustee will review this document at least every three years, or without delay following any significant change in investment policy, or where the Trustee considers a review is needed.

This SIP is effective from 1 October 2019.

Objectives

The Trustee is required to invest the Plan's assets in the best interests of members. The Trustee's overall objective is to invest the Plan's assets in such a way that, together with contributions, sufficient money is available to meet the liability to provide benefits to the members of the Plan into the future.

A medium term objective is investing the Plan's assets to achieve returns in excess of the growth in the present value of the liabilities calculated on a technical provisions basis, whilst limiting the risks of large adverse changes in the level of cover for technical provisions.

Strategy

The Trustee believes, that having regard to the long-term liabilities of the Plan, an investment strategy based predominantly on investments in return seeking assets (predominantly UK and overseas quoted equities), together with an allocation to liability matching investments, is an appropriate strategy for the current time which is most likely to enable the Plan to be able to meet all of its liabilities for pension-related benefits, without imposing an unsustainable contribution burden on the Principal Employer. The Trustee also believes that fundamental value driven active management can deliver excess return over passive equity investing over the long term. The investment strategy of the Plan will reflect this belief as appropriate and in balance with overall objectives of the Plan.

The broad target strategic asset allocation as at 1 October 2019 is shown below:

Asset Class	Policy Allocation	Minimum	Maximum
Developed Market Equity	36%	20%	75
Emerging Market Equity	8%	5%	15%
Hedge Funds	20%	15%	25%
Private Equity	15%	0%	20%
Private Credit	10%	0%	15%
Liability Matching Assets	10%	5%	15%
Cash	1%	0%	5%
All Assets	100%	100%	100%

Until the allocation to private credit and private equity reaches the policy level shown, the policy allocation in respect to these assets shall be invested in developed market equity.
The Trustee's policy is that sufficient investments in liquid or readily realisable assets are held to meet cashflow requirements in the majority of foreseeable circumstances so that realisation of investment assets will not disrupt the Plan's overall investment policy where possible.

Where it is considered appropriate, investment managers may be permitted to invest in derivatives in so far as they facilitate efficient portfolio management, or contribute to a reduction in risk. The Trustee has also appointed a derivatives overlay manager to facilitate hedging of currency and geographic exposures as well as rebalancing.

The Trustee has given instructions to the investment managers to prohibit investment in shares or bonds or loans of, TechnipFMC or its subsidiaries or associated companies, except in respect of indirect investment in pooled or tracker funds, and to restrict any employer related investments to levels permitted by the Acts.

The Trustee expects the return on assets to be consistent with the investment objectives and investment strategy outlined above.

The Trustee expects the Plan's assets to generate a long-term investment return of circa 2.7% per annum, net of expenses, above a portfolio of long-dated UK Government bonds – which are considered to change in value in a similar way to the Plan's liability value. This return is a "best estimate" of future returns that has been arrived at given the Plan's initial asset allocation and in the light of advice from the Investment Consultant.

The Trustee recognises that over the short-term performance may deviate significantly from this long-term expectation. This "best estimate" will also generally be higher than the prudent assumption used for the actuarial valuation of the Plan's liabilities. For this purpose a more prudent estimate of returns will generally be used, as agreed by the Trustee on the basis of advice from the Plan Actuary.

Implementation

The Trustee has directly appointed Northern Trust as Custodian and Record Currency Management as Overlay Manager having been advised by Cambridge Associates as their investment consultant.

Choosing investments - the Trustee has appointed Cambridge Associates Ltd as Fiduciary Investment Manager. Consequently, the Trustee has signed a discretionary Investment Management Agreement with Cambridge Associates Ltd, and sub-agreements with each investment manager selected or managed by Cambridge Associates Ltd under a Power of Attorney. These sub-agreements are in the Trustee's name.

A copy of this statement has been provided to each appropriate investment manager and custodian.

The Trustee will monitor the Fiduciary Investment Manager to ensure that the portfolio is invested according to the provisions of the Investment Management Agreement. The Fiduciary Investment Manager will invest the Plan's assets primarily through third party Investment Managers and the Overlay Manager. The Fiduciary Investment Manager shall monitor all investments in the portfolio and have investment discretion as described the IMA.

The Fiduciary Investment Manager, Investment Managers and the providers of any external insurance policies are required to inform the Trustee as soon as practicable of any breach of their agreements which has come to their attention or material change in their internal management procedures or staffing relevant to the Plan's investments. The Fiduciary Investment Manager, Investment Managers and the providers of external insurance policies are required to supply the Trustee with information the Trustee considers is required to monitor their activity and to facilitate the review of that Fiduciary Investment Manager, Investment Manager or provider, on either a monthly, quarterly or annual basis.

Risks

The Trustee recognises a number of risks involved in the investment of the assets of the Plan:

Funding risk and mismatching risk - is addressed through the asset allocation strategy and through ongoing triennial actuarial valuations. The majority of the defined benefit sections' liabilities are linked to price inflation and therefore the Trustee's policy has regard to the nature of investments and in particular to those investments which are expected to broadly keep pace with price inflation over long periods.

Concentration of assets - is addressed through the asset allocation strategy, the appointment of investment managers for certain asset classes and prohibitions restricting the size of any single investment. The Plan's investments at any time therefore comprise a wide range of asset classes and diversification within those asset classes.

Manager risk – Cambridge Associates Ltd has discretion over the majority of the Plan's assets. Individual manager risk is addressed through the guidelines within their mandate and by separate custodial arrangements.

Liquidity risk – This risk relates to a shortfall of liquid assets relative to the Plans immediate liabilities and is managed by regular monitoring of liquidity levels and expected outgo.

Custodian risk - addressed through the agreements with custodians and ongoing monitoring of the custodial arrangements, including verification of the Plan's assets by the Auditor. Specific authorisation instructions are given to Custodians and must be adhered to before any significant transfer of assets.

Due to the nature of these risks, the Trustee considers them in qualitative and quantitative terms. Some aspects of these risks may be modelled explicitly to illustrate the potential impact of the risk and the consequences of the different risks (or variations in the levels of risk) on the Plan's assets and liabilities. The risk analysis provides information to the Trustee to demonstrate the potential interaction between the Plan's funding position and investment strategy and is formally reviewed when determining long term policy, including asset allocation.

In addition, risk is measured in terms of the performance of the assets compared to the liabilities, usually tri- annually.

Should there be a material change in the Plan's circumstances, the Trustee will review whether the current risk profile remains appropriate.

Additional Voluntary Contributions (AVCs)

The Plan provides a facility for members to pay AVCs to enhance their benefits at retirement. The members are offered a range of funds in which to invest their AVC payments.

The Trustees primary objective in AVC provision is to en sure that the investment strategy gives members options that enable them to adequately deal with the different risks that face them at different times.

In determining the investment strategy for the AVC section, the Trustee has considered the associated investment risks, and acknowledges that there may be a number of factors that cannot be managed by the investment options made available to members. However the uncertainty inherent in three specific investment risks (inflation risk, capital risk and pension conversion risk) can be managed to some extent by the choice of investments. These risks and the corresponding objectives of the Trustee are considered below.

Inflation risk - This describes the risk that investments do not provide a return at least in line with inflation, so that the "purchasing power" of the accumulated value of the contributions is not maintained until retirement. The Trustees objective is to provide an investment option that is expected to provide a long-term rate of return that exceeds inflation. Such an option would consist largely of equity-type investments.

Capital risk - This describes the risk that the monetary value of a members account falls. The Trustees objective is to provide an investment option that offers very low probability of capital impairment. A cash fund is an example of such an option.

Pension conversion risk - This describes the risk that the value of a members account does not reflect changes in the cost of purchasing an annuity at retirement.
The Trustees objective is to provide an investment option that broadly matches changes in the cost of annuities. Depending on the type of annuity to be purchased, such an option could include a long-dated fixed interest bond fund or an index-linked bond fund.

The relative importance of inflation, capital and pension conversion risks depends on the length of time to retirement and each members attitude towards risk and expected return. Managing pension conversion and capital risks is more important as members approach retirement, whereas inflation risk is more relevant to younger members. It is recognised that the control of one of the aspects of risk is often at the expense of another. For example, investing in cash funds provides protection against decreases in fund values (capital risk), but will increase the risk of not matching changes in annuity prices (pension conversion risk).

AVC investment options - In order to address the various risks associated with AVCs (discussed above), the Trustee has selected a range of investment options with Aviva (formerly known as Norwich Union). Historical contributions may be invested with Prudential Assurance Company, The Clerical Medical and General Life Assurance Society and Equitable Life Assurance Society.

No single option is expected to be sufficient to manage all of the various risks associated with AVC investment at all times. However, the range of options chosen by the Trustee is designed to be wide enough to enable members to manage the risks identified as they become relevant, according to each members individual criteria and circumstances.

Assets directly held by the Trustee, including policies of assurance such as AVCs, will be regularly reviewed to ensure that they continue to be appropriate. Written advice will be obtained from the Investment Consultant when reviewing, buying or selling direct investments.

Socially responsible investment and voting

The Trustee has agreed an Environmental, Social and Governance (ESG) Policy which reflects their beliefs, approach and outlines how they plan to monitor the investment portfolio. The Trustee considers ESG factors (including climate change) can have a material impact on the performance of investments over the long term. The Trustee expects its underlying investment managers, where appropriate, to integrate ESG considerations into their decision-making process and take them into account as part of their analysis of expected future performance and risks. The Trustee will hold investment managers to account in this regard as part of its periodic monitoring process. In addition, appropriate weight will be given to ESG considerations by the fiduciary manager when appointing or replacing investment managers.

The Trustee has delegated responsibility for the exercise of stewardship rights attaching to investments (including voting rights) to the investment managers except for the case of pooled investment arrangements. The Trustee's policy is that the investment managers exercise these rights on a basis consistent with the relevant parts of the Institutional Shareholders' Committee's statement of principles on corporate governance. The Trustee, with the assistance of the fiduciary manager, expect investment managers to report on how they have exercised voting rights attached to shares (including across passive equity mandates), and will review the investment managers' corporate governance policies periodically.

In the case of the pooled investment arrangements, the policy on social, environmental, governance and ethical considerations is set by the pooled investment arrangement managers, who also exercise the rights attaching to investments (including voting rights), on behalf of all participants in these funds.

The Trustee does not wish to interfere with the day-to-day investment decisions of its investment managers. However, the Trustee, with support from the fiduciary manager, does encourage its investment managers to comply with the principles outlined in the UN's Principles for Responsible Investing and the UK Stewardship Code where this is appropriate for their mandate.

....

Signed on behalf of the Trustee

30/9/19
....

Date