

## Corporate Governance

### Directors' statement on corporate governance

#### Compliance with the UK Corporate Governance Code

As a premium listed company on the London Stock Exchange, the Company is reporting in accordance with the UK Corporate Governance Code (the "Code")

published in April 2016 which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. The Code is published by the UK Financial Reporting Council

("FRC") and a copy of the Code is available from the FRC website at [www.frc.org.uk](http://www.frc.org.uk).

The Board confirms that the Company has complied in full with the Code throughout the period under review.

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## Leadership

### The Board

The Board of Directors is collectively responsible to the Company's shareholders for the direction and oversight of the Company to ensure its long-term success.

The Board met regularly throughout the year to approve the Group's strategic objectives, to lead the Group within a framework of effective controls which enable risk to be assessed and managed and to ensure that sufficient resources are available to meet the objectives set.

There are a number of matters which are specifically reserved for the Board's approval. These are set out in a clearly defined schedule which includes: matters relating to the Group's strategic plan; approving the annual business strategy and objectives; the nature and extent of principal risks to be taken to achieve the strategic objectives; changes relating to structure and capital; approval of trading statements, half year results, final results and annual report and accounts; declaring interim dividends and recommending final dividends; the Group's policies and systems of internal control and risk management, approving capital projects, acquisitions and disposals valued at over \$2 million; and provision of adequate succession planning.

The schedule of matters reserved for the Board was reviewed during the year and approved and adopted at the March 2017 Board meeting.

Certain specific responsibilities are delegated to the committees of the Board, notably the Audit, Nomination and Remuneration Committees, which operate within clearly defined terms of reference and report regularly to the Board. For further details, please see the reports of each Committee that follow this statement.

### Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are separately held and the division of their responsibilities is clearly established, set out in writing, and agreed by the Board to ensure that no one person has unfettered powers of decision. The Chairman is responsible for the operation and leadership of the Board, ensuring its effectiveness and setting its agenda. The Chief Executive Officer is responsible for leading and managing the Group's business within a set of authorities delegated by the Board and the implementation of Board strategy and policy.

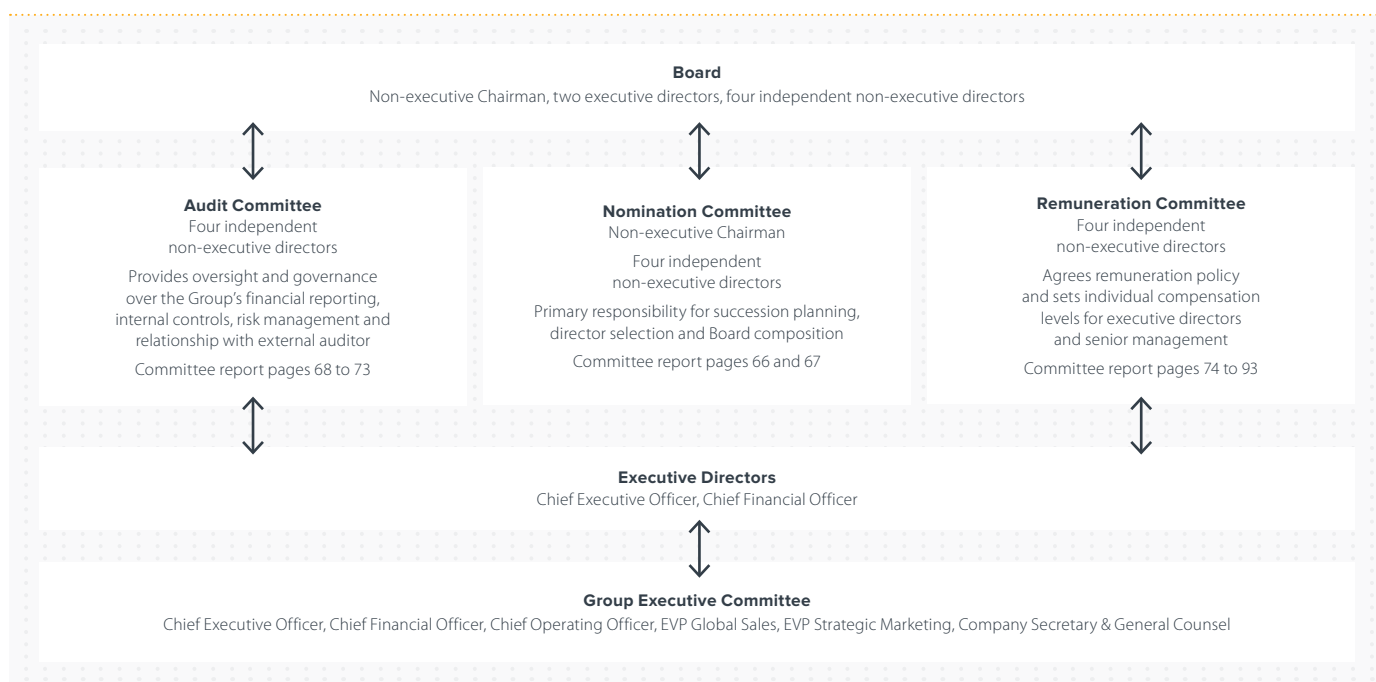
Authority for the operational management of the Group's business has been delegated to the Chief Executive Officer for execution or further delegation by him for the effective day-to-day running and management of the Group. The Group Executive Committee, led by the Chief Executive Officer, consists of the Chief Financial Officer, the Chief Operating Officer, the EVP Global Sales, the EVP Strategic Marketing and the Company Secretary & General Counsel.

### Senior Independent Director

The role of Senior Independent Director is to act as a sounding board for the Chairman and to serve as an intermediary for other directors as necessary. He is also available to shareholders to convey concerns to the Board which they have been unable to convey through the Chairman or through the executive directors. During the year, led by the Senior Independent Director, the non-executive directors have met without the presence of the Chairman (including to appraise the Chairman's performance).

### Non-executive Directors

In addition to their responsibilities for strategy and business results, the non-executive directors play a key role in providing a solid foundation for good corporate governance and ensure that no individual or group dominates the Board's decision making. They each occupy, or have occupied, senior positions in industry, bringing valuable external perspective to the Board's deliberations through their experience and insight from other sectors enabling them to contribute significantly to Board decision making. The formal letters of appointment of the non-executive directors are available for inspection at the Company's registered office.



## Corporate Governance

### Directors' statement on corporate governance continued

#### Board Committees

The Board has established three principal Board committees, to which it has delegated certain of its responsibilities. These are the Audit Committee, the Nomination Committee and the Remuneration Committee. The membership, responsibilities and activities of these committees are described later in this corporate governance statement and, in the case of the Remuneration Committee, in the Report on directors' remuneration beginning on page 74. Membership of these committees is reviewed annually and minutes of committee meetings are made available to all directors on a timely basis.

The chairmen of the Audit, Nomination and Remuneration Committees intend to be present at the Annual General

Meeting to answer questions on the work of their respective committees.

The written terms of reference for the Audit, Nomination and Remuneration Committees, all of which were reviewed, updated where necessary and approved during the year, are available on the Company's website at <https://corporate.spirent.com>.

#### Election and re-election of Directors

In accordance with the Code's recommendations, all directors who wish to continue in their roles will be proposed for election or re-election at the 2018 Annual General Meeting to be held in May.

The Board confirms that each of the directors standing for re-election has been subject to a formal performance evaluation in relation to their duty to act in the

long-term interests of the Company, while also having regard to other stakeholders.

#### Company Secretary

In his role of Company Secretary and General Counsel, Angus Iveson is responsible for advising and supporting the Chairman and the Board on corporate governance matters as well as ensuring that there is a smooth flow of information to enable effective decision making. All directors have access to the advice and services of the Company Secretary and can take independent professional advice in respect of their duties, at the Company's expense.

#### Board meetings

The Board held seven meetings during the year, including a two-day strategy meeting held at the Company's site in Paignton, UK.

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Alex Walker <sup>1</sup>	3/3	–	1/1	–
Bill Thomas <sup>2,3</sup>	6/7	2/2	1/2	2/3
Paula Bell	7/7	–	–	–
Eric Hutchinson	7/7	–	–	–
Gary Bullard	7/7	4/4	2/2	6/6
Tom Lantzsch <sup>4</sup>	1/1	1/1	1/1	1/1
Tom Maxwell <sup>5</sup>	3/3	2/2	1/1	1/1
Jonathan Silver	7/7	4/4	2/2	6/6
Sue Swenson <sup>6</sup>	1/1	1/1	1/1	1/1

#### Notes

1. Alex Walker stepped down from the Board following the AGM on 3 May 2017.
2. Bill Thomas was appointed Chairman of the Board with effect from 19 May 2017, and therefore ceased to be a member of the Audit and Remuneration Committees on that date.
3. Bill Thomas did not attend the Nomination Committee, Board and Remuneration Committee meetings held on 18 May 2017 as the meetings dealt with the recommendation and approval of his appointment as Chairman of the Board and his remuneration in the new role.
4. Tom Lantzsch stepped down from the Board on 3 March 2017.
5. Tom Maxwell stepped down from the Board following the AGM on 3 May 2017.
6. Sue Swenson stepped down from the Board on 8 March 2017.

Senior executives below Board level are invited, when appropriate, to attend Board meetings and to make presentations relating to the results and strategies of their business units and Group-wide responsibilities. Papers for Board and Committee meetings are provided to directors in advance of the meeting. The attendance of the directors at Board and Committee meetings during the year under review is shown in the table above. If a director is unable to participate in a meeting either in person or remotely, the Chairman will solicit their views on key terms of business in advance of the relevant meeting, so that that these can be shared with the meeting.

#### Directors' indemnity provisions

In accordance with its Articles of Association, the Company has granted a qualifying third party indemnity, to the extent permitted by law, to each director. The Company also maintains directors' and officers' liability insurance.

These provisions are qualifying third party indemnity provisions as defined in section 234 of the Companies Act 2006. Neither the Company's indemnity nor the insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently.

#### Board activities during 2017

At each Board meeting, the Chief Executive Officer presents an update on the performance, strategy and business issues across the Group and the Chief Financial Officer presents a detailed analysis of the financial performance of the business units. Senior executives below Board level attend relevant parts of Board meetings in order to make presentations on their areas of responsibility; this gives the Board access to a broader group of executives and helps the directors make ongoing assessments of the Group's succession plans. The Board has a rolling programme of visits to business unit locations to deepen its appreciation of the different opportunities and challenges that each unit faces.

## Key issues considered by the Board during 2017

	Governance / Compliance	Finance	Business / Strategy
<b>March</b>	<ul style="list-style-type: none"> <li>Stakeholder engagement</li> <li>2016 Full Year compliance and Annual Report review</li> <li>Diversity review</li> <li>Legal review</li> <li>NED and Chairman succession planning</li> </ul>	<ul style="list-style-type: none"> <li>2016 Full Year results review</li> <li>Viability statement review</li> <li>Dividend policy review</li> <li>Tax update</li> <li>Capital policy review</li> <li>Receive Audit Committee report on internal controls and risk management</li> </ul>	<ul style="list-style-type: none"> <li>Group performance review</li> <li>Sector / industry review</li> <li>Portfolio review update</li> </ul>
<b>March (2)</b>	<ul style="list-style-type: none"> <li>Stakeholder engagement update</li> </ul>		
<b>May</b>	<ul style="list-style-type: none"> <li>AGM voting review</li> <li>NED and Chairman succession planning update</li> </ul>	<ul style="list-style-type: none"> <li>2017 Q1 results review</li> </ul>	<ul style="list-style-type: none"> <li>Group performance review</li> <li>Strategy presentations</li> </ul>
<b>May (2)</b>	<ul style="list-style-type: none"> <li>Approval of appointment of Chairman</li> </ul>		
<b>August</b>	<ul style="list-style-type: none"> <li>2017 Half-year compliance review</li> <li>Board evaluation kick-off</li> <li>Regulatory and legal review</li> <li>NED succession planning</li> </ul>	<ul style="list-style-type: none"> <li>2017 Half-year results review</li> <li>CFO update</li> <li>Insurance review</li> </ul>	<ul style="list-style-type: none"> <li>Group performance review</li> <li>Business initiatives review</li> <li>IT strategy review</li> <li>Operations / Supply chain review</li> <li>Business segment review</li> </ul>
<b>November</b>	<ul style="list-style-type: none"> <li>Board evaluation results review</li> <li>Governance compliance review</li> <li>CSR review</li> <li>Legal review</li> <li>NED succession planning update</li> </ul>	<ul style="list-style-type: none"> <li>2017 Q3 results review</li> <li>Treasury policy review</li> </ul>	<ul style="list-style-type: none"> <li>Group performance review</li> <li>Business initiatives update and review</li> <li>Future investments review</li> </ul>
<b>December</b>	<ul style="list-style-type: none"> <li>Governance compliance review</li> <li>Talent management review</li> <li>NED succession planning update</li> </ul>	<ul style="list-style-type: none"> <li>Return on investment review</li> <li>Budget 2018</li> </ul>	<ul style="list-style-type: none"> <li>Group performance review</li> <li>Business initiatives update and review</li> <li>Future investments review</li> </ul>

## Corporate Governance

### Directors' statement on corporate governance continued

#### Effectiveness

##### Board composition

At the date of this Report, the Board comprises a non-executive Chairman, four independent non-executive directors and two executive directors.

The Chairman and the non-executive directors contribute entrepreneurial leadership and external expertise and experience in areas of importance to the Company, such as strategic investments, corporate finance, general finance and corporate governance. They also contribute independent challenge and rigour to the Board's deliberations and assist in the development of the Company's strategy, scrutiny of the performance of management in meeting agreed goals and targets, and satisfying themselves of the integrity of the Company's internal controls and risk management systems. The Board believes that all of the directors devote sufficient time and attention as is necessary in order to perform their duties.

The Chairman holds regular discussions with the non-executive directors without the executive directors present to ensure a free and frank exchange of views on the effectiveness of the executive directors and senior management.

#### Independence

The independence of each non-executive director is reviewed on appointment and at least annually. The Board determined that the current non-executive directors are each independent in character and judgement, save for the Chairman who was deemed independent by the Board at the date of his appointment. None have been employed by the Company previously in any capacity or have any current material business relationship with any Group company.

Non-executive directors at Spirent receive no remuneration from the Company other than their fees (detailed in the Report on directors' remuneration on page 80) and each non-executive director has confirmed that they do not represent any significant shareholder in the Company. No individual or group of individuals dominates the Board's decision making and the Code requirement stating that at least half of the Board (excluding the Chairman) should comprise independent non-executive directors is satisfied.

#### Appointments to the Board

There is a formal, rigorous and transparent procedure for the appointment of new directors to the Board. Details are available in the Nomination Committee report on pages 66 and 67 which also provides details of the Committee's role and activities.

#### Commitment

The letters of appointment for the Chairman and non-executive directors set out the expected time commitment required of them and are available for inspection at the Company's registered office and at the Annual General Meeting. Other significant commitments of the Chairman and non-executive directors are disclosed on appointment and require approval thereafter.

#### Board development

On appointment, directors are offered an induction programme on the operations and activities of the Group, the role of the Board and the matters reserved to its decision, the Group's corporate governance practices and procedures and their duties, responsibilities and obligations as directors of a listed public limited company. This may be supplemented by visits to key locations and meetings with, and presentations by, senior executives.

Further training for directors is available as required and can be provided by means of external courses, internal computer-based training, briefings from specific consultants or in-house presentations. In addition, directors' knowledge of the legal and regulatory environment is updated through the provision of information by the Group's advisers and by means of regular updates from the Company Secretary.

New directors are encouraged to take advantage of opportunities to meet with major shareholders and attend presentations to analysts where possible.

### Board performance evaluation

An evaluation to assess the performance of the Board as a whole, its committees and that of the individual directors is conducted annually.

In accordance with the Code requirement that the evaluation should be conducted by an external facilitator at least every three years, in 2015 Useful Thinking Limited (“UTL”) was engaged to undertake a review of the Board and its Committees. UTL is independent, with no other connection with the Company. During the final quarter of 2017, an internally-led review took place.

### Process

Following a scoping exercise with the Chairman and the Company Secretary to agree the priority areas and issues to be addressed in the review, the directors completed an online questionnaire, centring on themes including the strengths and values of the Board, the quality of succession planning, the interaction of the Board members with the Group’s various business units, the process of managing strategic planning and the management of risk.

During the year, the implementation of a number of recommended action points arising from the 2016 evaluation was overseen by the Chairman and included the following actions:

### 2017 actions

- More clearly articulate Spirent’s strategic vision;
- Strengthen knowledge of emerging sectors in order to better understand allocation of research and development resources;

- Review appropriateness of KPIs;
- Assess senior leadership depth in more detail;
- Review existing internal control procedures in the light of the recent appointment of a new Chief Financial Officer.

All respondents to the 2017 evaluation agreed that the conduct of Board meetings allows for an open and constructive communication style and that the appointment of new non-executive directors would continue to expand the breadth of market and sector experience to the benefit of the Company.

The Board members agreed that the Board and its principal committees continued to perform effectively.

The Board concluded that the actions arising from the 2017 review would continue to be developed through 2018, with the addition of the following areas of focus:

### 2018 Objectives

- Further explore the articulation of Spirent’s strategic vision;
- Continue to review the effectiveness of research and development spend;
- Deepen visibility of product development investment decisions and understanding of progress of such investments;
- Increase exposure to senior management for the purposes of developing internal talent pipeline;
- Monitor effectiveness of revised internal control procedures; and
- Review ‘Go To Market’ approach.

### Information flow

The Company Secretary manages the provision of information to the Board at appropriate times in consultation with the Chairman and Chief Executive Officer. In addition to formal meetings, the Chairman and Chief Executive Officer maintain regular contact with all directors. The Chairman also holds informal meetings with non-executive directors, without any of the executives being present, to discuss any issues affecting the Group, if this is thought necessary. Regular management updates are sent to directors to keep the non-executive directors informed of events throughout the Group between Board meetings and to ensure that they are kept fully advised of the latest issues affecting the Group.

### Conflicts of interest procedures

The Company has procedures in place, which were reviewed and updated during the year, to deal with the situation where a director has a conflict of interest. As part of this process, the Board:

- considers each potential conflict situation separately on its particular facts;
- considers the potential conflict situation in conjunction with the rest of the directors’ duties under the Companies Act 2006;
- keeps records and Board minutes as to authorisations granted by directors and the scope of any approvals given; and
- regularly reviews conflict authorisation.