Report on directors' remuneration

Tom Maxwell
Chairman of the Remuneration Committee

Dear Shareholder,

As Chairman of the Remuneration Committee, I am pleased to present our Remuneration Report for the year ended 31 December 2013.

Last year's Remuneration Report anticipated many of the new remuneration reporting requirements which were in draft form at that time. This Report has been prepared in accordance with the now finalised requirements and we hope that you find it comprehensive, clear and informative.

The Committee aims to operate a simple and transparent remuneration structure comprising base salary, a cash incentive plan and a long term incentive plan which provide a clear link between remuneration and the Group's strategic priorities. In support of this, the Committee aims to ensure that remuneration packages are offered which:

- set the total remuneration package at an appropriate level to reflect the competitive markets in which the Group operates;
- link a significant proportion of the total remuneration package to the achievement of demanding performance targets;
- structure the reward of executive directors and senior management to align their interests with those of shareholders over the long term;
- encourage the retention and stability of the management team; and
- underpin a high performance culture throughout the Group.

As a Committee, we believe it is essential that directors' remuneration is aligned with the Company's strategic framework, the interests of shareholders and the external competitive market.

As outlined earlier in this Annual Report, it has been a challenging year for Spirent, with decreasing revenues and a significant impact on profit. 2013 also marks a turning point for the Company and this was reflected in the activities for the Committee which, in addition to routine matters set out in the report, included:

- reviewing and settling Bill Burns' termination arrangements in line with his service agreement; and
- reviewing the future policy for cash incentive arrangements for executive directors and determining that to drive longer term focus, cash incentives will now be based on annual performance only with no quarterly incentive.

With the introduction of the new reporting requirements there continues to be a significant focus on transparency of reporting on executive pay. The Committee is strongly committed to open and transparent dialogue with shareholders on remuneration matters and takes every opportunity to engage with key shareholders, to understand their views on our remuneration arrangements and to discuss our policy going forward. As set out later in this Report, our 2012 Report on directors' remuneration received a strong level of support at the Company's AGM in May 2013 with 98.77 per cent of shareholders voting in favour of the advisory resolution.

The main priorities for the Committee for 2014 are:

- to continue to review remuneration policy in the light of evolving best practice, consulting with shareholders as appropriate;
- to ensure that the executive directors are fairly rewarded for both individual and Company performance;
- to set incentive targets that support the long term strategy for the Group, are stretching, appropriate, and achievable;
- to commence a review of our Employee Incentive Plan which is due to expire in 2015, seeking investor views as appropriate before seeking shareholder approval in 2015; and
- reviewing malus and clawback provisions to ensure that we are in line with best practice.

On behalf of the Committee I hope that you find this Report comprehensive, clear and informative.

Tom Maxwell
Chairman of the Remuneration Committee
27 February 2014

Compliance statement

This Report on directors' remuneration for the year ended 31 December 2013 has been prepared on behalf of the Board by the Remuneration Committee in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) as amended in 2013, the relevant sections of the Companies Act 2006 and meets the requirements of the Listing Rules of the Financial Conduct Authority. The Report also describes how, except with regard to Eric Hutchinson's service contract, as more fully described on page 64, the Board has complied with the provisions of the UK Corporate Governance Code issued in September 2012.

The Report is presented in two parts:

Part A sets out the Remuneration Policy and provides the details of the remuneration policy that we propose will apply following the 2014 AGM subject to obtaining shareholder approval at the AGM on 23 April 2014.

Part B sets out the Directors' annual remuneration report and includes details of how our remuneration policy was implemented for the year ended 31 December 2013 and how it will be applied for the year ended 31 December 2014.

At the Annual General Meeting to be held on 23 April 2014 there will be two resolutions in respect of this Remuneration Report:

- the Directors' Remuneration Policy Report set out in Part A on pages 59 to 67 will be put to a binding shareholder vote; and
- the Directors' Annual Report on Remuneration in Part B on pages 68 to 76 will be put to an advisory shareholder vote.

Part A: Remuneration Policy

Components of executive director remuneration

The Committee's policy is to set remuneration levels which ensure that executive directors are fairly and responsibly rewarded in return for high levels of performance. The remuneration policy set by the Committee aims to encourage a performance based culture which reinforces behaviour that will lead to the continued long term successful development of the business, is sufficient to attract, retain and motivate high calibre executive directors and senior managers and aligns their interests with those of shareholders. The Committee believes that the aims of the policy are achieved by ensuring that a significant proportion of total remuneration is linked to the achievement of stretching corporate and individual targets both in the short and long term.

Report on directors' remuneration continued

Future policy table

The table below sets out the executive remuneration policy that we intend to apply, subject to shareholder approval, from 24 April 2014 and summarises the various elements of executive remuneration:

	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Fixed pay	**Base salary**			
Fixed pay	To provide fixed remuneration for each role which reflects the size and scope of the executive director's responsibilities and their individual skills and experience Set at levels to attract and retain the high calibre talent necessary to develop and deliver the Group's strategy	Base salaries are normally reviewed annually, with changes effective from 1 January Salaries are typically set after considering the salary levels in companies of a similar size and complexity, the responsibilities of each individual role, progression within the role, individual performance and experience and with regard to salary levels in the country in which the executive resides. Our overall policy, having had due regard to the factors noted, is normally to target salaries at the median market level	Salary levels for current incumbents for the 2014 financial year are: Chief Executive Officer £400,000 per annum Chief Financial Officer £250,000 per annum Salaries may be adjusted and any increase will ordinarily be (in percentage of salary terms) in line with those of the wider workforce having particular regard to the increases in the country in which the individual resides Increases beyond those granted to the wider workforce (in percentage of salary terms) may be awarded in certain circumstances, for example where there is a change in responsibility, progression in the role, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group	Individual and business performance are considered when determining salary levels, together with experience, scope of responsibility and salary increases of employees in the country of residence of the director
Fixed pay	**Benefits**			
Fixed pay	To provide market levels of benefits on a cost-effective basis To support personal health and well-being	May include private health cover for the executive and their family, life insurance cover, typically up to four times annual base salary, permanent health insurance and a car allowance Other benefits may be offered from time to time broadly in line with local market practice in the country of residence of the executive director Global relocation support and any associated costs or benefits may also be provided if considered by the Committee to be appropriate and reasonable to meet the requirements of the business	Private health care benefits are provided through third party providers and therefore the cost to the Company and the value to the director may vary from year to year It is intended that the maximum value of benefits offered will remain broadly in line with market practice	None

	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
	Pension (or cash allowance)			
Fixed pay	To provide cost-effective and competitive post-retirement benefits	Defined contribution scheme or cash allowance in lieu of Company pension contributions or a combination of both Other post-retirement benefits may be offered from time to time broadly in line with local market practice in the country of residence of the executive director	An annual taxable cash allowance of 20% of base salary is provided to the Chief Executive Officer and 14% of base salary is provided to the Chief Financial Officer either as a contribution to a defined contribution plan or as a taxable salary supplement in lieu of pension Base salary only is pensionable but the percentage allowance may increase in line with market practice	None
	Annual incentive			
Variable pay	To reward and incentivise the achievement of annual financial and strategic goals The performance measures are selected to align the strategy of the business with shareholder value creation	Measures and targets are set annually, payments are then determined by the Remuneration Committee after the year end based on performance against those targets The annual incentive is payable in cash	On target opportunity of 100% of base salary for Chief Executive Officer subject to a cap of 150% of base salary On target opportunity of 50% of base salary for Chief Financial Officer subject to a cap of 75% of salary The Remuneration Committee may, in exceptional circumstances, amend the payments should this not, in the view of the Committee, reflect overall business performance or individual contribution but they would not exceed the maximum opportunity set out above	For 2014, the annual incentive is based on financial targets only, reflecting the focus for the Group. Future annual incentives may be based on a mix of financial and individual business objectives with the majority of the weighting being given to financial metrics A sliding scale between 0% and 100% of the maximum incentive applies for achievement between threshold and maximum performance under the annual incentive. The exact measures, weightings and targets are determined by the Remuneration Committee each year taking into account the Group's key strategic priorities and the approved budget for the year
	Long term incentives			
	To incentivise executives to achieve enhanced returns for shareholders To encourage long term retention of key executives To align the interests of executives and shareholders	Discretionary awards of conditional awards, nil cost options or stock appreciation rights ("SARS") may be granted annually as a percentage of base salary. Vesting is based on performance measured over three years. The performance period normally starts at the beginning of the financial year in which the grant is awarded in respect of EPS conditions or shortly before the date of award in respect of TSR conditions	Limits of 250% and 125% of base salary for awards of SARs or share options and Performance Shares respectively Limit of 250% of base salary for combined awards where one Performance Share is equivalent to two SARs or share options	Award levels and performance conditions are reviewed before each award cycle to ensure they remain appropriate. If employment ceases during a performance period, awards may be tested on a pro rata basis under certain "good leaver" circumstances at the discretion of the Remuneration Committee A full description of the performance conditions applicable to long term incentive awards under the Employee Incentive Plan ("EIP") can be found below this table

Report on directors' remuneration continued

	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Variable pay	**All-Employee share plans**			
	To provide all employees with the opportunity to become shareholders on similar terms	Executive directors are eligible to participate, on the same basis as other employees, in the Company's HMRC-approved Share Incentive Plan (known as the Employee Share Purchase Plan) or any other all-employee share plan operated in the future Employee Share Purchase Plan: All eligible employees in participating locations are invited to participate Partnership shares are held in trust and can be released at any time subject to appropriate tax treatment of proceeds	Participation by all employees in any all-employee share plan operated now or in the future is limited to the maximum award levels permitted by relevant legislation	None
	Relocation			
	To offer assistance to executive directors who are required to relocate by the Company to enable the Company to attract and retain talent	Global relocation support and any associated costs or benefits may be provided The Company may also provide tax equalisation arrangements	There are a number of variables affecting the amount that may be payable, but the Committee would pay no more than it judged reasonably necessary in the light of all applicable circumstances	None
	Share ownership			
	To align the interests of executive directors with shareholders and promote a long term approach	Executive directors are expected to hold shares in the Company to the value of a minimum of 100% of base salary over time. These can include shares and unfettered share incentive awards Except for those sold to cover subscription costs, income tax and national insurance contributions, executive directors are encouraged to retain shares arising from share schemes until the minimum level of ownership has been achieved	None	None

Notes to the policy table

Performance conditions for awards under the Employee Incentive Plan ("EIP")

The Committee reviews the appropriateness of performance parameters for each award under the EIP and sets stretching performance conditions in the light of the Company's current and expected performance over the vesting cycle.

2014 Policy on share incentive awards

The Committee expects to approve an award of Performance Shares to Eric Hutchinson and Rachel Whiting equivalent to 125 per cent and 60 per cent of annual base salary respectively.

Performance conditions for awards expected to be made in 2014

Having reviewed the appropriateness of the performance parameters for awards under the EIP, the Committee has determined that for awards to be made in 2014, the following parameters are apposite:

Performance shares

The performance conditions for Performance shares will be calculated over a three year performance period as set out in the following table:

50% of award:

Growth in EPS[1] over the performance period (%)	Proportion of Performance shares vesting (%)
Below 15	0
15	30
Above 15 and below 30	On a straight line basis between 30 and 100
30 or above	100

Note
1 EPS means Adjusted Basic Earnings per Share after expensing of share-based payments.

50% of award:

Absolute TSR	Proportion of Performance shares vesting (%)
Up to 25% growth	0
At 25% growth but below 65% growth	On a straight line basis between 30 and 100
At or above 65% growth	100

In determining TSR for the Company, share prices will be averaged over the 90 day period immediately prior to, and at the end of, the performance period.

SARs and share options

The performance condition for SARs and share options, where awarded, would continue to be based on the rate of growth in the Company's EPS over the three year performance period.

Growth in EPS[1] over the performance period (%)	Proportion of SARs/share options vesting (%)
Below 15	0
15	30
Above 15 and below 30	On a straight line basis between 30 and 100
30 or above	100

Note
1 EPS means Adjusted Basic Earnings per Share after expensing of share-based payments.

Shareholder approval for EIP

Shareholder approval was given in 2005 to operate the EIP until 2015, subject to further shareholder approval being required on the use of new issue shares and any material changes to the plan. No material changes to the EIP are proposed and therefore no specific shareholder approval is required at the 2014 AGM to continue to operate this plan. However, we expect to seek shareholder approval at the 2015 AGM for an extension to the EIP's operating period.

Report on directors' remuneration continued

Approach to recruitment remuneration

In the event that the Company recruits a new executive director (either from within the organisation or externally), when determining the appropriate remuneration arrangements, the Committee will take into consideration all relevant factors (including but not limited to quantum, the type of remuneration being offered and the jurisdiction which the candidate was recruited from) to ensure that arrangements are in the best interests of both the shareholders and the Company without paying more than is necessary to recruit an executive of the required calibre.

The Committee would generally seek to align the remuneration package offered with our remuneration policy outlined in the table above. However, the Committee retains discretion to make proposals on hiring a new executive director which are outside the standard policy. In the first year of appointment, the Committee may offer additional remuneration arrangements that it considers appropriate and necessary to recruit and retain the individual. Such remuneration may be in the form of cash or share-based awards which may vest immediately or at a future point in time. Vesting may be subject to performance conditions selected by the Committee.

The Committee may make awards on appointing an executive director to "buy-out" remuneration arrangements forfeited on leaving a previous employer. In doing so the Committee will take account of relevant factors including any performance conditions attached to those awards, the form in which they were granted and the time over which they would have vested. Generally buy-out awards would be made on a comparable basis to those forfeited.

In the event of recruitment, the Committee may also grant an award to a new executive under Listing Rule 9.4.2 which allows for the granting of awards, specifically to facilitate, in unusual circumstances, the recruitment or retention of an executive director, without seeking prior shareholder approval.

The maximum level of variable pay which may be awarded to new executive directors would normally be in line with the maximum level of variable pay set out in the policy table on pages 60 to 62 but in any event would be limited to 400 per cent of base salary, excluding any buy-out awards.

For an internal appointment, any variable pay element awarded in respect of the previous role may either continue on its original terms or be adjusted to reflect the new appointment.

When recruiting non-executive directors, the remuneration arrangements offered would normally be in line with those paid to existing non-executive directors, details of which are set out on page 65.

Service contracts

Executive directors

In normal circumstances, it is the Company's policy that service contracts for executive directors have no fixed term and are capable of termination on no more than 12 months' notice from either the Company or the executive director. It is intended that this policy would also apply to new appointments of executive directors. However, following the termination of Bill Burns' service agreement on 3 September 2013, the Board determined that in order to provide certainty and stability, it was in the best interests of promoting the long-term success of the Company not to comply with Code Provision D.1.5. of the UK Corporate Governance Code with regard to the length of service agreements for executive directors. The Company therefore entered into a fixed term contract with Eric Hutchinson, which at the date of this Report has an unexpired term of 15 months and will expire on 31 May 2015. Following its expiration in 2015, and in line with normal policy, the service agreement with Eric Hutchinson would be renewed on 12 months' notice.

Both Eric Hutchinson and Rachel Whiting currently have a service agreement with Spirent Communications plc, and, being UK resident, both their contracts are in line with UK employment practice and are governed by the laws of England. Rachel Whiting's service agreement, dated 1 February 2014 may be terminated on 12 months' notice from the Company and six months notice from Rachel. Eric Hutchinson's service agreement may be terminated on six months from Eric.

Until his termination on 3 September 2013, Bill Burns had a service agreement with Spirent Communications Inc. governed by the laws of California.

The Company recognises that its executive directors may, from time to time, be invited to become non-executive directors of other companies and that such appointments can broaden their knowledge and experience, to the benefit of the Company. At the date of this Report, neither Eric Hutchinson nor Rachel Whiting holds any such external positions.

The service agreements of the executive directors are available for inspection on request and will be available for inspection at the 2014 AGM.

Non-executive directors

All non-executive directors have a letter of appointment with the Company for a period of not more than three years, subject to the Company's Articles of Association. However, since 2011 and in accordance with the Code, all directors stand for re-election at each AGM.

Details of individual appointments are as follows:

Director	First appointed a director	Current appointment due to expire
Ian Brindle	22 December 2006	2015 AGM
Duncan Lewis	1 July 2007	2014 AGM
Tom Maxwell	1 October 2007	2014 AGM
Sue Swenson	1 February 2012	2015 AGM
Alex Walker	22 December 2006	2015 AGM

The letters of appointment are available for inspection on request and will be available for inspection at the 2014 AGM. An example of a letter of appointment for a non-executive director is available on the Company's website at http://corporate.spirent.com/Governance.

Remuneration policy for Non-executive Directors

The Board aims to recruit high calibre non-executive directors, with broad commercial, international or other relevant experience.

The Company's remuneration policy with regard to fees for non-executive directors, including the Chairman, is to pay fees which are in line with market practice for companies of a similar size and complexity. Fees for the non-executive directors are normally reviewed by the Board once every three years and were last reviewed on 1 January 2012, having been frozen since 1 January 2008. It was determined that the basic annual fee for non-executive directors would be set at £40,000 per annum for 2012 to 2014 inclusive. Fees for the Chairman, which are determined by the Remuneration Committee, were set at £160,000 per annum for 2012 to 2014 inclusive, having been frozen since 1 January 2009. The Chairmen of the Audit and Remuneration Committees each receive additional fees of £11,000 and £9,000 per annum respectively. It is considered that non-executive director fees are at the median level for comparable companies. Fees for non-executive directors and the Chairman will next be reviewed on 1 January 2015.

Non-executive directors are not eligible to participate in cash incentive or share incentive arrangements and their service does not qualify for pension or other benefits. No element of their fee is performance related.

When recruiting non-executive directors, the remuneration arrangements offered will generally be in line with those set out above.

Exit payment policy

The Committee is committed to ensuring that it does not pay more than is necessary when executives leave the Group and its policy on exit payments is and will continue to be in line with market practice in the country in which the executive director resides:

- Service contracts contain provisions for the removal of the director without compensation for poor performance or material misconduct;
- Payment in lieu of notice may be paid under service contracts if the relevant notice period is not given to the director or if, having received notice from the director, the employer does not wish him/her to serve it;
- Unless provided for in the service contract, the Company would seek to apply practical mitigation measures to any payment of compensation on termination, for example by reducing payments to reflect payments received in respect of alternative employment, taking into account all relevant circumstances;
- Service contracts do not contain provision for additional compensation on termination following a change of control (as detailed in the Change of Control provisions set out on page 78);
- Service contracts do not contain provision for liquidated damages of any kind;
- Service contracts contain appropriate provisions to protect the legitimate interests of the Company with respect to preventing any terminated director from working in a business which competes against the Company; and
- Incentives:
  - Cash incentives: unless otherwise provided in the service contract, to be consistent with market practice in the country in which the executive resides, executives are not entitled to accrued cash incentives payable following termination;
  - Employee Incentive Plan (EIP): Leaver provisions were approved by shareholders when they approved the EIP. Unvested awards will generally lapse at the point of exit. Participants who leave due to special circumstances including redundancy, ill-health, injury or disability, retirement, death, the Participant's employing company ceasing to be under the Control of the Group, a transfer of the undertaking in which the Participant works and any other reason, if the Committee so decides in general or in any particular case may be considered 'good leavers' under the EIP Plan Rules. In such circumstances, performance conditions are assessed by the Committee at the point of exit by testing the performance conditions up to the date of exit for TSR performance and to the end of the most recent financial period for EPS performance. Vesting is then pro rated for time and vested awards may be exercised within 12 months following the date of termination of employment.

Report on directors' remuneration continued

Illustrations of the application of our remuneration policy in 2014

The charts below show an illustration of the proportion of total remuneration made up of each component of the remuneration policy and the value of each component.

Three scenarios have been illustrated for each executive director:

Minimum performance	• Fixed remuneration[1] • No cash incentive[2] • No vesting under the Employee Incentive Plan[3]
On target performance	• Fixed remuneration[1] • 100% of target cash incentive paid[2] • 65% vesting under the Employee Incentive Plan[3]
Maximum performance	• Fixed remuneration[1] • 150% of target cash incentive paid[2] • Full vesting under the Employee Incentive Plan[3]

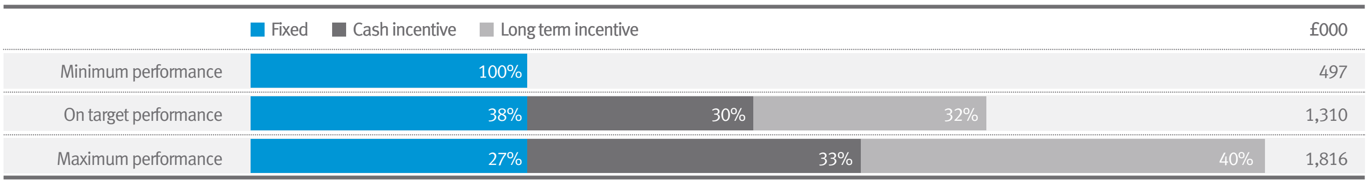
Notes

1 Fixed remuneration comprises salary and benefit provision as set out in the policy table.

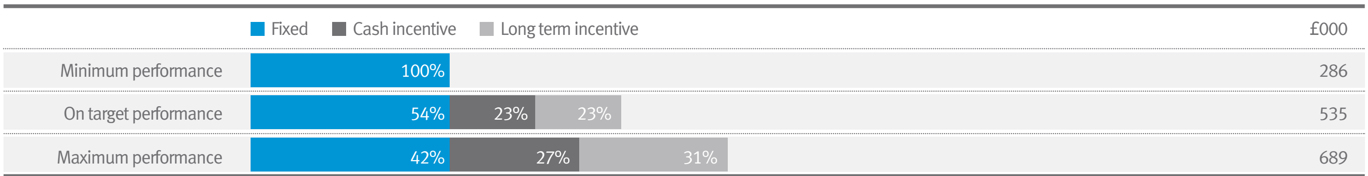
2 Cash incentive is annual bonus for 2014 as set out in the policy table.

3 Vesting of awards under the Employee Incentive Plan assumes full vesting for awards subject to EPS performance conditions for on target and maximum performance. The share price is assumed to increase in line with the implied price earnings ratio at 31 December 2013. For awards subject to Absolute TSR performance conditions, vesting is assumed to be 30 per cent for on target performance and 100 per cent for maximum performance. The share price is assumed to increase in line with the performance condition required under each scenario. Depending on share price performance, the actual outcome may be different.

Chief Executive Officer policy for 2014



Chief Financial Officer policy for 2014



Consideration of employee remuneration arrangements elsewhere in the Group

When setting the policy for directors' remuneration, the Committee has regard to the pay and employment conditions elsewhere within the Group, particularly in the jurisdictions in which the executive directors are based. The Committee is kept informed on a regular basis of salary increases for the general employee population and takes these into account when determining salary increases for executive directors. No salary increase has been awarded for the role of either Chief Executive Officer or Chief Financial Officer for 2014.

While the Committee does not directly consult with employees as part of the process of reviewing executive pay, the Committee does receive updates and feedback on employee engagement surveys and takes these into account when reviewing executive pay. An employee engagement survey is scheduled for 2014.

Further details of employee remuneration arrangements can be found in the "Our Employees" section on pages 36 to 37 of this Annual Report.

Consideration of the views of shareholders in setting remuneration policy

The Committee is mindful of the views of shareholders in determining appropriate levels of remuneration and in ensuring that shareholder and director interests are aligned. The Committee is committed to an ongoing dialogue with shareholders and seeks shareholder views when any significant changes are proposed to remuneration arrangements. In particular, the Committee consulted with major shareholders regarding the appropriate performance measures for awards granted under the Employee Incentive Plan in both 2010 and 2013 and will continue to do so when changes are proposed to ensure both shareholder and directors' interests are aligned. In particular, the Committee expects to consult key shareholders in relation to the possible extension of the Employee Incentive Plan's operating period, prior to making a decision on whether to seek approval by shareholders at the 2015 AGM.

Dilution

The Committee is strongly committed to managing shareholder dilution in a responsible manner. No new shares were issued during the year, with all vesting and exercises of share incentives being satisfied by the transfer of shares held by the Company's ESOT. At the date of this Report, the ESOT holds 0.7 million Ordinary Shares for the purpose of satisfying the exercises of current and future awards by employees and former employees of the Group. Overall shareholder dilution resulting from the Company's share incentive plans (on a rolling ten year basis) has fallen by 0.1 per cent when comparing the positions at 31 December 2013 (8.9 per cent) and 31 December 2012 (9.0 per cent). The overall number of share incentives outstanding has fallen by 0.3 million during the year to 5.5 million at 31 December 2013 (2012 5.8 million).

Legacy matters

For the avoidance of doubt, in approving this Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former directors (such as the payment of pension or the unwinding of legacy share schemes) that have or will have been disclosed to shareholders in remuneration reports before this Policy takes effect. Details of any payments will be set out in the Annual Report on Remuneration as they arise.

Committee discretion

The Committee has powers delegated by the Board under which it operates. In addition, it complies with rules which have either been approved by shareholders (the Employee Incentive Plan) or by the Board (annual cash incentives). These rules provide the Committee with certain discretions which serve to ensure that the implementation of the Remuneration Policy is fair both to the individual director and to shareholders, taking overall performance and the position of the Company into account. The Committee also has discretions to set components of remuneration within a range from time to time. The extent of such discretions are set out in the relevant rules or in the maximum opportunity and performance metrics sections of the Policy Table.

In addition, the Committee requires discretion to deal with genuinely exceptional or unforeseen circumstances. This form of discretion will only be applied in the best interests of the Company and is intended to provide for changed circumstances or strategy that has not been provided for in the Remuneration Policy, when it would be disproportionate to seek specific approval from a general meeting of shareholders.

The Remuneration Committee will not exercise discretion to reward failure and will report on any exercise of discretion that changes the amount of remuneration paid in any year.

Report on directors' remuneration continued

Part B: Annual Report on Remuneration for 2013
Audited Information

Single figure of total remuneration for 2013
The table below provides a single figure of total remuneration for 2013 and 2012 for the executive directors:

2013	Salary[1] $000	Benefits[2] $000	Performance related cash incentive[3] $000	Long term incentive[4] $000	Pension[5] $000	Total 2013 $000
Bill Burns[6]	586.2	29.6	–	–	10.2	626.0
Eric Hutchinson[7]	540.8	27.0	38.1	–	108.0	713.9

2012	Salary[1] $000	Benefits[2] $000	Performance related cash incentive[3] $000	Long term incentive[4] $000	Pension[5] $000	Total 2012 $000
Bill Burns	700.0	29.2	425.5	307.6[8]	10.0	1,472.3
Eric Hutchinson	495.1	26.2	150.2	123.6[8]	98.9	894.0

Notes
1 Salary and fees: cash paid in respect of the year.
2 Benefits: taxable value of all benefits in respect of the year which comprise private healthcare, permanent health insurance, life insurance and car allowance.
3 Performance related incentive: cash incentive payable in respect of the year.
4 Long term incentive: value of Performance shares vesting in the year based on the performance condition that ends in the year.
5 Pension: cash value in lieu of pension or US 401(k) plan contribution.
6 Bill Burns stepped down as CEO on 3 September 2013.
7 Eric Hutchinson became CEO on 3 September 2013.
8 On 30 November 2012, 129,260 and 51,926 Performance Shares vested and were alloted to Bill Burns and Eric Hutchinson respectively, which at a fair market value of 150.6 pence resulted in a gain of £194,666 ($307,572) for Mr Burns and £78,201 ($123,557) for Mr Hutchinson.

Quarterly and annual performance incentives
During 2013, the cash incentive plan continued to be structured so that two-thirds of the incentive target could be earned in respect of quarterly targets and one-third in respect of annual targets.

Growth targets in the Company's EPS and order intake, representing 70 per cent and 30 per cent of the incentive respectively, determined the maximum incentive which could be earned in respect of the annual incentive element.

Quarterly incentives were structured in two stages. Growth targets in the Company's quarterly EPS and order intake formed the first stage and determined the maximum incentive which could be earned in respect of each quarter. Performance against key strategic goals including engineering and product milestones, and other financial targets, determined the actual incentive earned by each executive director in each quarterly performance period. The engineering and product milestones in particular provide the roadmap to the Group's long term strategic direction and success.

The annual growth targets for EPS and order intake for an on target award for 2013 were 5.6 per cent and 10.3 per cent respectively. These targets were not achieved and accordingly no award was earned. The quarterly targets for EPS, order intake and individual goals are set prior to the commencement of each quarter. The targets set for EPS and order intake were not met in the first three quarters of 2013 and accordingly, no award was earned in respect of those quarters. In the fourth quarter, the EPS and order intake goals were partially met and all engineering and other personal goals were achieved, resulting in an award of £24,400 to Eric Hutchinson. Engineering and product milestone goals were 84 per cent achieved during the year. Other specific target detail for quarterly incentives is considered to be commercially sensitive. In the prior year, cash incentive payments of $425,500 and $150,200 were paid to Bill Burns and Eric Hutchinson respectively.

For 2014, cash incentives will only be available to executive directors on an annual basis, with a maximum total cash incentive available for Eric Hutchinson and Rachel Whiting of 150 per cent and 75 per cent of base salary respectively.

Total pension entitlements

During 2013 and prior to his termination, Bill Burns participated in the Spirent Communications 401(k) Pension Plan ("the Plan"), which is a defined contribution plan established under the provisions of Section 401(k) of the US Internal Revenue Code ("US IRC"). The Group makes matching contributions of up to 4 per cent of the maximum compensation permitted for these purposes under the US IRC. For 2013, the maximum permitted compensation was $255,000 and accordingly the contribution made to the Plan for the period up to Bill Burns' termination was $10,200 (2012 contribution $10,000). Eric Hutchinson receives a taxable cash allowance in lieu of pension of 20 per cent of base salary. For 2013, the allowance paid was £69,233 ($108,000 at an average exchange rate of $1.56:£1) (2012 £62,570 ($98,860 at an average exchange rate of $1.58:£1)).

Payments to past directors

There were no payments to past directors during the year under review.

Payments for loss of office

Bill Burns stepped down as Chief Executive Officer on 3 September 2013. His termination payments are as set out in his service agreement and as disclosed in previous Reports on director's remuneration. He received one month's base salary ($60,000) as pay in lieu of notice and will receive 11 months' base salary ($660,000) in ten equal monthly instalments of $66,000 each commencing in December 2013, subject to set-off for any base salary earned from alternative employment during the 12 month period following termination on 3 September 2013 (the "Severance Period"). Monthly COBRA premium payments of $1,840 are also being paid for the duration of the Severance Period subject to a set off for health insurance provided by an alternative employer during the Severance Period. The Company paid $8,000 in respect of Bill Burns' legal fees. All outstanding unvested share awards granted to Bill lapsed on termination, however, the Committee exercised its discretion under the Plan Rules of the EIP to allow Bill's vested and unfettered share awards to continue to be exerciseable during the 12 month period following termination as these awards had been retained by Bill as part of his shareholding to meet the Committee's shareholding guideline for executive directors.

Non-executive director fees

Details of fees paid to non-executive directors in 2013 and 2012 are as follows:

	2013 £000	2012 £000
Alex Walker (Chairman)	160.0	160.0
Ian Brindle	51.0	51.0
Duncan Lewis	40.0	40.0
Tom Maxwell	49.0	49.0
Sue Swenson	40.0	36.6
Total	340.0	336.6

Shareholding guidelines for executive directors

The Committee believes that to further align their interests with those of shareholders, executive directors should have a significant shareholding in the Company equivalent to at least 100 per cent of their base salary in the form of shares and unfettered share incentive awards which may be built up over time following appointment as an executive director. The table below sets out the holdings of the executive directors who served during the year at 31 December 2013 and to the date of this Report at their respective date of termination, 31 December 2013 or date of appointment as applicable.

	Guideline holding	Beneficially owned shares	Unfettered share incentives	Guideline met?
Bill Burns[1]		223,484	374,000	n/a
Eric Hutchinson	100% of base salary	1,302,775	56,600	Yes
Rachel Whiting[2]		83,353	60,348	No

Note
1 The holding shown for Bill Burns is as at the date when he stepped down as CEO, 3 September 2013.
2 The holding shown for Rachel Whiting is as at the date of her appointment to the Board, 1 February 2014.

Report on directors' remuneration continued

Statement of Directors' share holdings and share interests

The beneficial interests of the directors and their connected persons in the shares of the Company are set out below:

	At 31 December 2012 Ordinary Shares[1]	At 31 December 2013 Ordinary Shares	At 27 February 2014 Ordinary Shares[2]
Executive directors			
Eric Hutchinson	1,300,379	1,302,775	1,303,285
Rachel Whiting	n/a	n/a	83,475[3]
Bill Burns	218,850	223,484[4]	n/a
Non-executive directors			
Ian Brindle	4,525	4,525	4,525
Duncan Lewis	–	–	–
Tom Maxwell	26,955	50,000	50,000
Sue Swenson	–	–	–
Alex Walker	80,481	180,481	180,481

Notes

1 Directors' beneficial interests do not form part of the remuneration provided by the Company.

2 Events since 31 December 2013:
On 24 January 2014, Eric Hutchinson acquired 266 Ordinary Shares under the UK Employee Share Purchase Plan at a price of 93.8381 pence per share.
On 24 February 2014, Eric Hutchinson acquired 244 Ordinary Shares and Rachel Whiting acquired 122 Ordinary Shares, both under the UK Employee Share Purchase Plan at a price of 102.46 pence per share.

3 Rachel Whiting joined the Board on 1 February 2014.

4 The holding shown for Bill Burns is as at the date when he stepped down as CEO, 3 September 2013.

Outstanding share incentive awards[1]

The share incentive interests of executive directors who served during the period 1 January 2013 to the date of this Report are set out below:

Eric Hutchinson

Plan Type	EIP	EIP	EIP	EIP	EIP
Award Type	SAR	PS	PS	PS	SAR
Award date	25 August 2005	23 March 2011	21 March 2012	8 May 2013	8 May 2013
At 1 January 2013 (or at date of appointment)	56,600	109,366	142,235	–	–
Granted during the period	–	–	–	172,531	86,266
Vested during the period	–	–	–	–	–
Exercised during the period	–	–	–	–	–
Lapsed during the period	–	–	–	–	–
Any other adjustments during period	–	–	–	–	–
At 31 December 2013 (or at date of cessation)	56,600	109,366	142,235	172,531	86,266
Market price at date of award (£)	0.53	1.432	1.531	1.291	1.291
Face value of award granted in period (£)	–	–	–	222,737	111,369
Exercise price (£)	0.53	Nil[2]	Nil[2]	Nil[2]	1,291
Subject to performance conditions?	Yes	Yes	Yes	Yes	Yes
Performance condition	EPS	50% EPS, 50% TSR	50% EPS, 50% TSR	50% EPS, 50% TSR	EPS
Performance condition testing date[3]	25 August 2008	23 March 2014	21 March 2015	8 May 2016	8 May 2016
Result of performance condition testing	100% vest	–	–	–	–
Market price at vesting date (£)[4]	0.80	–	–	–	–
Exercise date	–	–	–	–	–
Market price at exercise date (£)	–	–	–	–	–
Gain on exercise (£)	–	–	–	–	–
Expiry date	24 August 2015	23 March 2014	21 March 2015	8 May 2016	8 May 2023

Rachel Whiting

Plan Type	EIP	EIP	EIP	EIP
Award Type	SAR	PS	PS	PS
Award date	5 May 2006	23 March 2011	21 March 2012	8 May 2013
At 1 January 2013 (or at date of appointment)[5]	60,348	21,873	19,928	–
Granted during the period	–	–	–	24,262
Vested during the period	–	–	–	–
Exercised during the period	–	–	–	–
Lapsed during the period	–	–	–	–
Any other adjustments during period	–	–	–	–
At 31 December 2013 (or at date of cessation)	60,348	21,873	19,928	24,262
Market price at date of award (£)	0.475	1.432	1.531	1.291
Face value of award granted in period (£)	–	–	–	31,322
Exercise price (£)	0.475	Nil[2]	Nil[2]	Nil[2]
Subject to performance conditions?	Yes	Yes	Yes	Yes
Performance condition	EPS	50% EPS, 50% TSR	50% EPS, 50% TSR	50% EPS, 50% TSR
Performance condition testing date[3]	5 May 2009	23 March 2014	21 March 2015	8 May 2016
Result of performance condition testing	100% vest	–	–	–
Market price at vesting date (£)[4]	0.595	–	–	–
Exercise date	–	–	–	–
Market price at exercise date (£)	–	–	–	–
Gain on exercise (£)	–	–	–	–
Expiry date	5 May 2016	23 March 2014	21 March 2015	8 May 2016

Report on directors' remuneration continued

Bill Burns

Plan Type	EIP	EIP	EIP	EIP	EIP
Award Type	SAR	PS	PS	PS	SAR
Award date	7 November 2008	23 March 2011	21 March 2012	8 May 2013	8 May 2013
At 1 January 2013 (or at date of appointment)	374,000	255,859	287,287	–	–
Granted during the period	–	–	–	360,183	180,091
Vested during the period	–	–	–	–	–
Exercised during the period	–	–	–	–	–
Lapsed during the period	–	255,859	287,287	360,183	180,091
Any other adjustments during period	–	–	–	–	–
At 31 December 2013 (or at date of cessation)[6]	374,000	–	–	–	–
Market price at date of award (£)	0.505	1.432	1.531	1.291	1.291
Face value of award granted in period (£)	–	–	–	464,996	232,498
Exercise price (£)	0.505	Nil[2]	Nil[2]	Nil[2]	1.291
Subject to performance conditions?	Yes	Yes	Yes	Yes	Yes
Performance condition	EPS	50% EPS, 50% TSR	50% EPS, 50% TSR	50% EPS, 50% TSR	EPS
Performance condition testing date[3]	7 November 2011	3 September 2013	3 September 2013	3 September 2013	3 September 2013
Result of performance condition testing	100% vest	0% vest	0% vest	0% vest	0% vest
Market price at vesting date (£)[4]	1.246	1.346	1.346	1.346	1.346
Exercise date	–	–	–	–	–
Market price at exercise date (£)	–	–	–	–	–
Gain on exercise (£)	–	–	–	–	–
Expiry date	3 September 2014	3 September 2013	3 September 2013	3 September 2013	3 September 2013

Notes
An explanation of each share plan and its operation is given in Note 29 to the audited consolidated financial statements of the Group and Note 14 to the parent Company financial statements.
1 Key to share plan and type of award:
EIP SAR – 2005 Employee Incentive Plan Stock Appreciation Rights.
EIP PS – 2005 Employee Incentive Plan Performance Shares awarded as conditional share awards.
2 There is no exercise price payable for a Performance share upon vesting. Further details on Performance shares are provided above.
3 Awards which have passed the date first exercisable have vested and are unfettered, having passed the relevant performance conditions.
4 The market price on date of grant is the price of an Ordinary Share at the close of business on the day before the date of grant.
5 Rachel Whiting was appointed to the Board on 1 February 2014, the awards shown were awarded prior to her appointment as Chief Financial Officer.
6 Bill Burns stepped down from the Board on 3 September 2013.

Scheme interests awarded during the year

In 2013, the Committee approved combined awards of Performance shares and SARs to Mr Burns and Mr Hutchinson equivalent to 250 per cent and 150 per cent of base salary respectively, with one Performance share being equivalent to two share options or SARs.

Policy for Performance shares granted in 2013

The performance conditions for Performance shares awarded in 2013 under the EIP are calculated over a three year performance period as set out in the following table:

50% of award:

Growth in EPS[1] over the performance period (%)	Proportion of Performance shares vesting (%)
Below 15	0
15	30
Above 15 and below 30	On a straight line basis between 30 and 100
30 or above	100

Note
1 EPS means Adjusted Basic Earnings Per Share after expensing of share-based payments.

50% of award:

TSR Ranking	Proportion of Performance shares vesting (%)
Below median	0
Between median and upper quartile	On a straight line basis between 30 and 100
At or above upper quartile	100

The comparator group for determining TSR comprises the 30 largest companies by market capitalisation in the FTSE TechMARK 100 Index, excluding those companies who were also constituents of the FTSE 100 Index at the commencement of the performance period, together with one non-UK listed direct competitor. The Committee considered that the selected comparator group provided a suitable benchmark for the Company's TSR rating. In determining the TSR for the Company and its comparator group, share prices will be averaged over the 90 day period immediately prior to, and at the end of, the performance period.

Policy for SARs and share options granted in 2013

The performance condition for SARs and share options awarded in 2013 under the EIP is based on the rate of growth in the Company's EPS over the three year performance period.

Growth in EPS[1] over the performance period (%)	Proportion of SARs/share options vesting (%)
Below 15	0
15	30
Above 15 and below 30	On a straight line basis between 30 and 100
30 or above	100

Note
1 EPS means Adjusted Basic Earnings Per Share after expensing of share-based payments.

Share interests vesting during 2014

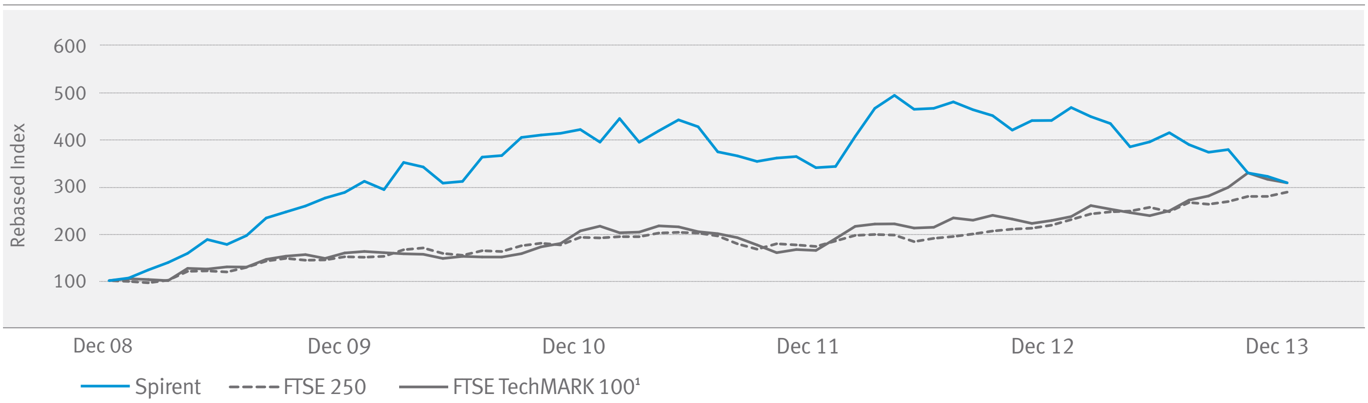
Awards which are due to vest on 23 March 2014 and are subject to an EPS performance condition have not passed that condition and will lapse on that date.

Awards which are due to vest on 23 March 2014 and are subject to a TSR performance condition will have that performance condition tested on 23 March 2014.

Unaudited Information
Total Shareholder Return performance

The graph below shows the TSR performance for the last five financial years of Spirent Communications plc against the FTSE 250 Index and the FTSE TechMARK 100 Index, excluding those companies who were also constituents of the FTSE 100 Index at the commencement of the period. The Committee believes that these provide broad equity market indices against which the performance of the Company can be fairly compared, and that the FTSE TechMARK 100 Index provides a particularly representative collection of comparator companies.

Five-year TSR performance – Spirent vs FTSE TechMARK 100[1] and FTSE 250

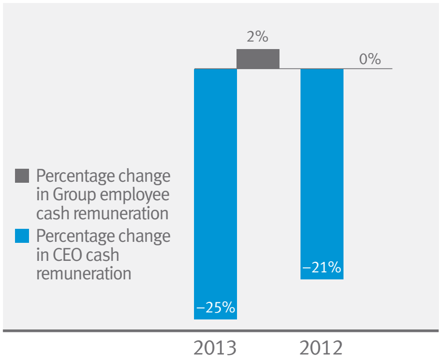


Note
1 As of 1 January 2009, excluding FTSE100 companies.

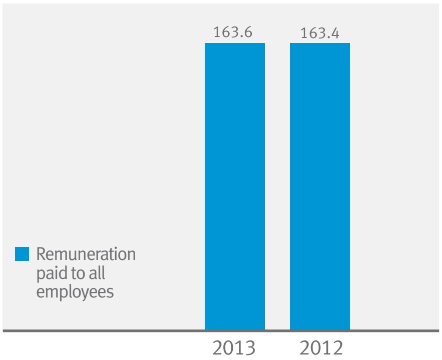
The middle market price of an Ordinary Share at the close of business on 2 January 2013 and 31 December 2013 (being the first and last days the London Stock Exchange was open for trading in 2013) was 153.8 pence and 103.8 pence, respectively, and during that period ranged between a high of 169.2 pence and a low of 98.5 pence.

Report on directors' remuneration continued

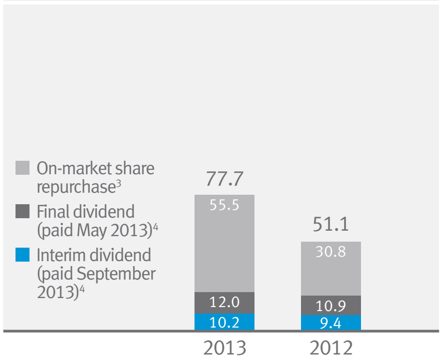
Percentage change in the remuneration of the director undertaking the role of CEO compared to the percentage change in remuneration of all Group employees[1]



Remuneration paid to all employees ($m) during 2013[2]



Returns to shareholders ($m) during 2013



Notes
1 The graph shows the change in CEO's annual cash remuneration, defined as base salary, taxable benefits and cash incentive, compared to that of the average Group employee for 2012 and 2013.
2 Total as set out in Note 10 to the consolidated financial statements.
3 Total as set out in Note 28 to the consolidated financial statements.
4 Total as set out in Note 14 to the consolidated financial statements.

Table of CEO remuneration

Year	CEO	CEO single figure of total remuneration	Annual bonus payout against maximum opportunity %	Long term incentive vesting rates against maximum opportunity
2013	Eric Hutchinson	291.5[1]	12.0	–
2013	Bill Burns	626.0[2]	–	–
2012	Bill Burns	1,472.3	40.5	34
2011	Bill Burns	2,095.4	93.3	84
2010	Bill Burns	1,971.1	100.0	100
2009	Bill Burns	1,566.5	93.9	100

Notes
1 Eric Hutchinson took up the position of Chief Executive Officer on 3 September 2013.
2 Earnings disclosed are to 3 September 2013, when Mr Burns stepped down as Chief Executive Officer.

Statement of implementation of remuneration policy in 2014

The following components of remuneration are effective from 1 January 2014 or date of appointment if later:

Salary

Eric Hutchinson £400,000
Rachel Whiting £250,000

Benefits

Private healthcare cover for executive and family
Permanent health insurance
Life insurance cover of four times annual base salary
Car allowance (CEO only)

Retirement benefits

Eric Hutchinson will receive a taxable cash sum in lieu of pension at a rate of 20% of base salary.

Rachel Whiting will receive a contribution to a defined contribution arrangement of her choice or a taxable cash sum in lieu of pension at a rate of 14% of base salary.

Annual cash incentive

The Committee has set stretching targets for the year focused on order intake and earnings per share growth. Although the target detail is considered commercially sensitive, the weightings for the year ended 31 December 2014 are as follows:

Earnings per share	20%
Order intake	80%

On target and maximum annual cash incentive payments are as follows:

	On target performance % of base salary	Maximum % of base salary
Eric Hutchinson	100	150
Rachel Whiting	50	75

Award under Employee Incentive Plan (EIP)

It is anticipated that awards will be made under the EIP in 2014 as follows:

	Anticipated value of award £000
Eric Hutchinson	500
Rachel Whiting	150

The awards are valued on the basis of performance shares, which are valued at the share price on the date of grant.

The performance measures and targets are set out on page 63 of this Report.

Statement of shareholder voting

At the 2013 AGM on 1 May 2013 the results of the advisory vote regarding the Report on directors' remuneration for the year to 31 December 2012 were:

Votes for[1]		Votes against			
Number	%	Number	%	Votes cast	Votes withheld[2]
512,859,440	98.77	6,407,015	1.23	519,266,455	645,149

Notes
1 The "For" vote includes those giving the Company Chairman discretion.
2 A vote withheld is not a vote in law and is not counted in the calculation of the votes "For" and "Against" the resolution.

Votes "For" and "Against" are expressed as a percentage of total votes cast.

Report on directors' remuneration continued

Remuneration Committee

Responsibilities

The Committee is responsible for determining all elements of the remuneration of the Chairman, executive directors, Company Secretary and senior executives of the Group, reviewing remuneration policy and overseeing the operation of the Company's share incentive plans.

The full terms of reference of the Committee are available at http://corporate.spirent.com/Governance/Board_Committees or from the Company Secretary at the registered office.

Composition of the Committee

At the date of this Report, the Remuneration Committee comprises four independent non-executive directors, one of whom acts as Committee Chairman.

Meetings and attendance

The Committee meets at least four times each year and at other times as necessary. During 2013, five meetings were held, with individual members' attendance as follows:

	Number of meetings held	Number of meetings attended
Tom Maxwell (Committee Chairman)	5	5
Ian Brindle[1]	5	4
Duncan Lewis	5	5
Sue Swenson	5	5

Note

1 Mr Brindle was unable to attend an *ad hoc* Committee meeting as it conflicted with a meeting already in his diary for another listed company. Mr Brindle received all papers relating to the meeting and had the opportunity to discuss issues arising direct with the Committee Chairman. In this instance, he also appointed Alex Walker as his proxy for the duration of the meeting.

The Company's Chairman was also in attendance at each of the meetings.

Advisers to the Committee

Kepler Associates Limited, who were appointed by the Committee some years ago, provided the results of TSR testing to determine the vesting of share incentives.

Kepler Associates Limited is a member of the Remuneration Consultants Group and complies with its voluntary Code of Conduct in respect of the provision of remuneration consulting services, details of which can be found at www.remunerationconsultantsgroup.com and has no other connection to the Company. The Committee considers them to be independent in their approach.

The fees paid to Kepler Associates Limited to carry out work during 2013 for the Remuneration Committee totalled £17,460 and were based on time and materials.

During the year the Committee also consulted with the Company's Chairman, Chief Executive Officer, Chief Financial Officer and the Company Secretary but not on matters relating to their own remuneration.

Signed on behalf of the Board
Tom Maxwell
Chairman of the Remuneration Committee
27 February 2014