

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 September 2014 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.

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

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 February 2015 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 has unfettered powers of decision. The Chairman, Alex Walker, is responsible for the operation and leadership of the Board, ensuring its effectiveness and setting its agenda. The Chief Executive Officer, Eric Hutchinson, 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 Executive Vice President of each business division within the Group has authority for that business and reports directly to the Chief Executive Officer.

GOVERNANCE FRAMEWORK



Directors' statement on corporate governance continued

SENIOR INDEPENDENT DIRECTOR

Following the retirement of Ian Brindle on 7 August 2015, Sue Swenson is now the Company's recognised 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. She is also available to shareholders should a need arise 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 non-executive directors are available for inspection at the Company's registered office.

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 55. 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 and updated during the year, are available on the Company's website at <http://corporate.spirent.com>.

ELECTION AND RE-ELECTION OF DIRECTORS

In accordance with the Code's recommendations, all directors will be proposed for election or re-election at the 2016 Annual General Meeting to be held in May with the exception of Rachel Whiting who, as previously announced, will be stepping down from the Board prior to the meeting.

COMPANY SECRETARY

Angus Iveson joined Spirent as Company Secretary & General Counsel in October 2014. The Company Secretary 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 a total of seven meetings during the year, including a two-day strategy meeting held at the Company's premises in Frederick, MD.

Senior executives below Board level are invited, when appropriate, to attend Board meetings and to make presentations on the results and strategies of their business units. Papers for Board and Committee meetings are generally provided to directors a week 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 below. Where a director is unable to participate in a meeting either in person or remotely, the Chairman solicited their views on key terms of business in advance of the relevant meeting, so that that these could be shared with the meeting and contribute to the debate.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Alex Walker	7/7	–	–	4/4
Eric Hutchinson	7/7	–	–	–
Rachel Whiting	7/7	–	–	–
Ian Brindle ¹	5/5	2/2	4/4	3/3
Tom Lantzsch ²	4/4	2/2	4/4	2/2
Duncan Lewis ³	7/7	3/3	6/7	4/4
Tom Maxwell	7/7	3/3	7/7	4/4
Jonathan Silver ⁴	3/3	2/2	4/4	1/1
Sue Swenson ³	7/7	3/3	6/7	4/4

Notes

- 1 Ian Brindle retired from the Board with effect from 7 August 2015
- 2 Tom Lantzsch was appointed to the Board with effect from 11 May 2015
- 3 Mr Lewis and Ms Swenson were unable to attend the *ad hoc* Remuneration Committee meeting held on 18 March 2015 but received all papers relating to the meeting and had the opportunity to discuss issues arising directly with the Committee Chairman
- 4 Jonathan Silver was appointed to the Board with effect from 25 June 2015

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 2015

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.

EFFECTIVENESS

BOARD COMPOSITION

At the date of this Report, the Board comprises a non-executive Chairman, five 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 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 58) 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 page 49 which also provides details of the Committee's role and activities.

KEY BOARD ACTIVITIES DURING 2015

STRATEGY

- Review and analysis of communications test and measurement market
- Review of updates on corporate strategy and acquisitions

PERFORMANCE MONITORING

- Receipt of regular reports from the Chief Executive Officer
- Receipt of senior management presentations from each of the Group business areas
- Review and approval of budget for 2016
- Analysis of feedback on directors' meetings with institutional investors
- Review of reports from the Chairmen of Board committees
- Examination of Company's investment management policy
- Evaluation of Group insurance coverage
- Discussions on Company's capital policy

GOVERNANCE AND RISK

- Review and approval of full year and half-year results announcements and presentations and trading updates and Annual Report 2014 in particular to ensure statements are fair, balanced and understandable

- Oversight of viability statement processes
- Assessment and approval of continuing dividend policy
- Consideration of Audit Committee review of internal controls and risk management
- Review and appraisal of the Board's performance
- Review of schedule of matters reserved to the Board and Committee terms of reference
- Consideration of regular regulatory updates

ACQUISITIONS/DISPOSALS

- Review of acquisition proposals
- Oversight of integration programmes

CORPORATE RESPONSIBILITY

- Approval of disclosures required by Modern Slavery Act 2015
- Receipt of regular updates on health, safety and environmental issues referred by the Audit Committee
- Preparation for compliance with Market Abuse Regulation and other upcoming regulations

PEOPLE

- Appointments of Tom Lantzsch and Jonathan Silver as independent non-executive directors
- Review of independent status of continuing and new non-executive directors
- Revision of policy for identification of Persons Discharging Management Responsibility
- Consideration of Board level and senior succession planning and resource activities

VARIOUS

- Review of external governance reports on Annual Report 2014 in preparation for the 2015 AGM and subsequent discussion of voting patterns and issues arising from that meeting

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 undertake a structured induction programme, during which they receive information about 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 is 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.

INFORMATION FLOW

The Company Secretary & General Counsel 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 individual directors' duties under the Companies Act 2006;

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, 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. The review took place in the final quarter of the year.

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 compiled by UTL, 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 management strategic planning and the management of risk.

During the year, the implementation of a number of recommended action points arising from the 2014 evaluation was overseen by the Chairman and included the following actions:

2015 ACTIONS

- Further developed understanding of strategic positioning and competitive issues facing the Group in view of ongoing changes in our market sectors;
- Gain further insight into performance metrics on acquisitions and organic investments;
- Focus on strengthening the Board with non-executive directors with specific industry sector and relevant geographic business knowledge; and
- Increased visibility on depth of management bench strength below Board level given changes to the management team in 2014.

Based on the outcome of the 2015 review, it was concluded that the Board continues to work very effectively as a cohesive body with a good balance of support, challenge and mutual trust between the executive and non-executive directors.

It was also the Board's view that, overall, the principal committees continued to function efficiently and effectively. Each of the directors was considered to be making a valuable contribution and with proper commitment, including of time, to their respective roles.

A list of action points arising from the 2015 review on how the Board can become even more effective was offered by UTL and subsequently agreed by the Board. These agreed action points in the form of a Board development plan are being implemented under the direction of the Chairman and include the following actions:

2016 OBJECTIVES

- Prioritisation of resources on market segments which provide greatest growth opportunities;
- Provision of increased visibility on the progress of the most significant product development & acquisition investments;
- Focus on Board succession in light of Non-executive director and Chairman tenure; and
- Further assess senior leadership bench strength.

- keeps records and Board minutes as to authorisations granted by directors and the scope of any approvals given; and
- regularly reviews conflict authorisation.

ACCOUNTABILITY

FINANCIAL AND BUSINESS REPORTING

The Board recognises its responsibility to present a fair, balanced and understandable assessment of Spirent in all of our reporting obligations. This responsibility covers the Annual Report and extends to the half-year report and other regulatory announcements. The Directors consider this Annual Report, taken as a whole, to be fair, balanced and understandable, providing the information necessary for shareholders to assess the Company's performance, business model and strategy. In arriving at this position, the Board asked the Audit Committee to review and confirm the process is in place to support this assessment. The Audit Committee confirmed that a robust approach is in place to support the fair, balanced and understandable assessment, details of which can be found in the Audit Committee's report on pages 50 to 54.

BUSINESS MODEL

A description of the Company's business model for sustainable growth is set out in the Group business model and strategy section on pages 12 to 19. These sections provide an explanation of the basis on which the Group generates value and preserves it over the long term and its strategy for delivering its objectives.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, and consistent with the guidance contained in the document titled 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published by the FRC, they continue to adopt the going concern basis in preparing the annual financial statements.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its responsibilities for the Group's system of internal control to facilitate the identification, assessment and management of risk, the protection of shareholders' investments and the Group's

assets. The directors recognise that they are responsible for providing a return to shareholders, which is consistent with the responsible assessment and mitigation of risks.

Effective controls ensure that the Group's exposure to avoidable risk is minimised, that adequate accounting records are maintained, that the financial information used within the business is reliable and that the consolidated accounts preparation and financial reporting processes comply with all relevant regulatory reporting requirements. The dynamics of the Group and the environment within which it operates are continually evolving, together with its exposure to risk. Internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.

The directors confirm that there is an ongoing, robust process for identifying, evaluating and managing the principal risks faced by the Group and the operational effectiveness of the related controls, which has been in place for the year under review and up to the date of approval of the annual report and accounts. They also confirm that they have regularly reviewed the system of risk management and internal controls utilising the review process set out below.

The directors confirm that a robust assessment of the principal risks facing the Company has been carried out, including those risks that would threaten its business model, future performance, solvency or liquidity. More details are set out in the Group's Principal risks and uncertainties on pages 22 to 25 of this Annual Report.

STANDARDS

There are guidelines on the minimum Group-wide requirements for health and safety and environmental standards. There are also guidelines on the minimum level of internal control that each of the divisions should exercise over specified processes. Each business has developed and documented policies and procedures to comply with the minimum control standards established, including procedures for monitoring compliance and taking corrective action. The management of each business is required to confirm twice yearly that it has complied with these policies and procedures.

HIGH LEVEL CONTROLS

All businesses prepare annual operating plans and budgets which are updated regularly. Performance against budget is monitored at operational level and centrally, with variances being reported promptly. The cash position at Group and operational level is monitored constantly and variances from expected levels are investigated thoroughly.

Clearly defined guidelines have been established for capital expenditure and investment decisions. These include the preparation of budgets, appraisal and review procedures, and delegated authority levels.

FINANCIAL REPORTING

Detailed management accounts are prepared every month, consolidated in a single system and reviewed by senior management and the Board. They include a comprehensive set of financial reports and key performance indicators covering commercial and operational issues. Performance against budgets and forecasts is discussed regularly at Board meetings and at meetings between operational and Group management. The adequacy and suitability of key performance indicators is reviewed regularly.

INTERNAL AUDIT

All of the internal audit activities are co-ordinated centrally by the Group's VP, Finance, who is accountable to the Audit Committee. The Audit Committee keeps this approach under review and is satisfied with the current arrangement.

All Group businesses are required to comply with the Group's financial control framework that sets out minimum control standards. A key function of the Group's internal audit resource is to undertake audits to ensure compliance with the financial control framework and make recommendations for improvement in controls where appropriate.

The VP, Finance meets with the Chairman of the Audit Committee as appropriate but at least annually, without the presence of executive management, and has direct access to the Chairman.

REMUNERATION

The Directors' report on remuneration is set out on pages 55 to 72 and provides details of our remuneration policy and how it has been implemented, together with the activities of the Remuneration Committee.

ARTICLES OF ASSOCIATION AND SHARE CAPITAL

Information in relation to share capital, the appointment and powers of directors and the issue and buy back of shares and significant interests in share capital is set out in the Directors' report on pages 73 to 76.

RELATIONS WITH SHAREHOLDERS

The Board is committed to maintaining good communications with shareholders. The Chairman, Chief Executive Officer and Chief Financial Officer have regular dialogue with individual institutional shareholders in order to develop an understanding of their views which is then discussed with the Board. All directors are offered the opportunity to meet with major shareholders to listen to their views and executive directors receive regular reports prepared by an independent capital markets advisory firm which provides comprehensive information relating to the Company's major shareholders.

Presentations are made to analysts, investors and prospective investors covering the full year and half-year results and the Company seeks to maintain a dialogue with the various bodies which monitor the Company's governance policies and procedures.

The Company is always keen to hear the views of its private shareholders and we encourage them to access our website at <http://corporate.spirent.com/> for our Company reports and business information and to use our shareholder mailbox at investor.relations@spirent.com for detailed enquiries.

Any concerns raised by shareholders or their representatives, whether expressed directly or through voting patterns at the Company's AGM, are discussed by the directors and an appropriate response given either specifically to the concerned party or, if it is felt to be of wider benefit, made available to all shareholders via the Company's website.

ANNUAL GENERAL MEETING

The Company's 2016 Annual General Meeting ("2016 AGM") will be held at 1.00pm on 4 May 2016 at the offices of UBS at 1 Finsbury Avenue, London EC2M 2PP.

The Board views the AGM as a valuable opportunity to communicate with private shareholders in particular, for whom it provides the opportunity to hear about the general development of the business and to ask questions of the Chairman and, through him, the chairmen of the key committees and other directors.

The Board looks forward to welcoming all our shareholders to our 2016 AGM and to updating them on our business developments.