Spirent Communications plc
Retirement Cash and Life Assurance Plan
Statement of Investment Principles

As at February 2024

Investment Objective

Members have benefits based on the level of pensionable service as a member of the Plan or, if greater, the accumulated value of the contributions the member and the employer have made. This type of benefit is referred to as defined benefit with a defined contribution underpin (DB with DC underpin). The DC underpin does not apply to some 'pre-1992' leavers.

The Trustees are responsible for investing the Plan's assets in a fairly prudent manner. When making investment decisions the Trustees have to balance investing to meet the likely benefit obligation with investing to maximise members' benefits.

This Statement of Investment Principles is produced to meet the requirements of Section 35 (as amended) of the Pensions Acts 1995 & 2004, the Occupational Pension Plans (Investment) Regulation 2005, the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and to reflect the Trustee's view in relation to the Myners voluntary code of investment principles. The Trustees also comply with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

STRATEGY

The Plan's Investment Objective is implemented by investing its assets in bonds, equities and cash. This choice of investment strategy takes account of the fact that the same return on assets is declared on all of these members' accounts, that many active members are moderately close to retirement and that the DC benefit is anticipated to be the higher benefit. However, the Trustees recognise the potential volatility in equity returns, particularly relative to the Plan's DB liabilities for non-pensioner members. The Trustees invest in pooled bond funds to meet the pensioner liabilities.

When choosing the Plan's planned asset allocation strategy the Trustees considered written advice from their investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

The Trustees expect the long-term return on the investment options that invest predominantly in equities to exceed price inflation and general salary growth. The long term returns on the combined equity and cash options are expected to be lower than returns on predominantly equity options, but with lower expected volatility. Bond funds are expected to broadly match the price of annuities, giving some protection in the amount of secured pension for members closer to retirement. Cash funds are expected to provide protection against changes in short-term capital values.

RISK MEASUREMENT AND MANAGEMENT

The pensioner liabilities are broadly matched by investments as part of an insurance contract with Legal & General Assurance (Pensions Management) Limited.

The assets held in respect of non-pensioner benefits are invested in cash and equities, as part of an insurance contract with Legal & General Assurance (Pensions Management) Limited. This structure was chosen by the Trustees as cash and equities were deemed to be appropriate assets in which to invest given the liabilities of the Plan. The choice of investment strategy took account of the fact that the same return on assets is declared on all of these members' accounts, that many members are moderately close to retirement and that the DC benefit is anticipated to be the higher benefit.

The Trustees recognise that a key risk to the Plan is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustees have identified a number of risks which have the potential to cause deterioration in the Plan's funding level and therefore contribute to funding risk. These include, but are not limited to:

1. **Risk of inadequate returns**
   A key objective of the Trustees is that, over the long-term, the Plan should have adequate assets to meet its liabilities as they fall due. The Trustees therefore invest the assets of the Plan based on the expectation of achieving a sufficient long-term return to meet the liabilities. There is also a risk that the performance of the Plan's assets and liabilities diverges in certain financial and economic conditions in the short term. This risk has been taken into account in setting the investment strategy and is monitored by the Trustees on a regular basis.

2. **Risk from lack of diversification**
   This is the risk that failure of a particular investment, or the general poor performance of a given investment type, could materially adversely affect the Plan's assets. This was a consideration when determining the Plan's investment arrangements.

3. **Investment manager risk**
   This is the risk that an investment manager fails to meet its investment objectives. Prior to appointing an investment manager, the Trustees receive written advice from a suitably qualified individual, and will typically undertake an investment manager selection exercise. The Trustees monitor the investment managers on a regular basis.

4. **Liquidity/marketability risk**
   This is the risk that the Plan is unable to realise assets to meet benefit cash flows as they fall due. The Trustees are aware of the Plan's cash flow requirements and believe that this risk is managed by maintaining an appropriate degree of liquidity across the Plan's investments.

5. **Credit risk**
This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
The Plan is subject to credit risk because it invests in bonds via pooled funds. The Trustees manage its exposure to credit risk by only investing in government bonds.

6. **Currency risk**
Whilst the majority of the currency exposure of the Plan's assets is to Sterling, the Plan is subject to currency risk because some of the Plan's investments are held in overseas markets. The Trustees consider the overseas currency exposure in the context of the overall investment strategy, and believe that the currency exposure that exists diversifies the strategy and is appropriate. Furthermore, the Trustees manage the amount of currency risk by partly investing in pooled equity funds that hedge currency exposure.

7. **Interest rate and inflation risk**
The Plan's assets are subject to interest rate and inflation risk because some of the Plan's assets are held in bonds via pooled funds. However, the interest rate and inflation exposure of the Plan's assets hedges part of the corresponding risks associated with the Plan's liabilities. The net effect will be to reduce the volatility of the funding level, and so the Trustees believe that it is appropriate to have exposures to these risks in this manner.

8. **Environmental, social and governance (ESG) risks**
Environmental, social and corporate governance (ESG) factors are sources of risk to the Plan's investments, some of which could be financially material, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustees seek to appoint investment managers who will manage these risks appropriately on their behalf and from time to time review how these risks are being managed in practice.

9. **Other non-investment risks**
The Trustees recognise that there are other, non-investment, risks faced by the Plan, and takes these into consideration as far as practical in setting the Plan's investment arrangements.

Examples include:
- longevity risk (the risk that members live, on average, longer than expected);
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Plan as anticipated);
- operational risk (the risk of fraud, poor advice or acts of negligence). The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received; and

As the benefits are underpinned by the return on the investments, there is also a risk that members will have insufficient income in retirement or an income that does not meet their expectations.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review. Some of these risks may also be modelled explicitly during the course of such reviews.

INVESTMENT BELIEFS

The Trustees key investment beliefs, which influence the setting of investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that do not have an expected reward should generally be avoided, hedged or diversified;
- investment markets are not always efficient and there may be opportunities for good active managers to add value;
- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and so managers may be able to improve risk-adjusted returns by taking account of ESG factors;
- investment managers who can consistently spot and profitably exploit market opportunities are difficult to find and therefore passive management, where available, is usually better value;
- long-term environmental, social and economic sustainability is one factor that trustees should consider when making investment decisions; and
- costs have a significant impact on long-term performance and therefore obtaining value for money from the investments is important.

GOVERNANCE

The Trustees of the Plan are responsible for the investment of the Plan's assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustees have established the following decision making structure:

<table>
<tr><td colspan="2">Trustees
• Set structures and processes for carrying out their role.
• Select and monitor planned asset allocation strategy.
• Select direct investments (see below).
• Review of fund range and default option.
• Selection of investment advisers and fund managers.
• Monitor investment advisers and fund managers.
• Monitor direct investments.
• Formulate a policy in relation to financially material considerations, such as those relating to ESG considerations (including but not limited to climate change).</td></tr>
<tr><td>Investment Advisor
• Advise on all aspects of the investment of the Plan’s assets, including implementation.
• Advise on this statement.
• Provide advice where required under S36 of the Pensions Act 1995.
• Provide required training.</td><td>Insurance Companies
• Operate within the terms of this statement and their written contracts.
• Delegate day-to-day investment decisions to their appointed fund managers.</td></tr>
<tr><td colspan="2">Fund Managers
• Operate within the terms of this statement and their written contracts.
• Select individual investments with regard to their suitability and diversification.
• Advise Trustee on suitability of the indices in its benchmark and provide other ad hoc advice and views.</td></tr>
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<u>DIRECT INVESTMENTS</u>

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager under a written contract and those where a product is purchased directly, eg the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments.**

The Trustees' policy is to review their direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

The Trustees have a contract with Legal & General Assurance (Pensions Management) which provides an insurance contract for the Plan and invests in pooled funds in accordance with the instructions of the Trustees.

The written advice will consider the issues set out in the Occupational Pension Plans (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the selected insurance companies and their appointed fund managers) against the following criteria:

- The best interests of the members and beneficiaries;
- Security;
- Quality;
- Liquidity;
- Profitability;
- Nature and duration of liabilities;
- Tradability on regulated markets;
- Diversification; and
- Use of derivatives.

The Trustees' investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustees expect the selected insurance companies and their appointed fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

IMPLEMENTATION

Lane Clark & Peacock LLP has been selected as investment adviser to the Trustees. It operates under an agreement to provide a service which ensures the Trustees are fully briefed to take decisions themselves and to monitor those they delegate. Lane Clark & Peacock LLP is paid an agreed annual fee which includes all services needed on a regular basis. Some one-off projects fall outside the annual fee and the fees for these are negotiated separately. This structure has been chosen to ensure that cost-effective, independent advice is received.

The assets of the Plan are managed by Legal & General.

The Legal & General arrangement represents a direct investment in the form of an insurance policy held with Legal & General Assurance (Pensions Management) Limited (LGPM), which in turn holds units in a range of Legal & General pooled funds, managed by Legal & General Investment Management (LGIM).

LGIM is therefore, in practice, the fund manager for the Plan and has responsibility for all day-to-day decisions about the investments that fall within its mandate, including the realisation of investments.

The underlying funds in which the assets are invested are deemed to be suitable for providing pensioner and non-pensioner type member benefit.

The fund manager structure and investment objectives for Legal & General are as follows:

World Equity Index Fund
To track the performance of the FTSE AW-World Index (less withholding tax if applicable) to within +/- 0.5% p.a. for two years out of three.

World Equity Index Fund – GBP Currency Hedged
To track the performance of the FTSE AW-World Index (less withholding tax if applicable) GBP Hedged (with the exception of Advanced Emerging Markets) to within +/- 0.5% p.a. for two years out of three.

Cash Fund
The Fund is designed to match the median return of similar cash funds without incurring excessive risk.

All Stocks Gilts Fund
The Fund aims to track the total return of the FTSE A Government (All Stocks) Index to within +/- 0.25% p.a. for two years in three.

Over 15 Year Index Linked Gilts Fund
The Fund aims to track the total return of an L&G internally calculated benchmark, which replicates the FTSE A Index-Linked (Over 15 Year) Index, to within +/-0.25% p.a. for two years in three

When choosing investments, the Trustees are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4).

The Trustees have considered how environmental, social, governance ("ESG") and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Plan and its members.

The Trustees expect their investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustees seek to appoint managers that have appropriate skills and processes to do this, and from time to time review how their managers are taking account of these issues in practice.

The Trustees have limited influence over managers' investment practices where assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

The Trustees do not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustees have delegated to their investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and ESG considerations.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity. They expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustees from time to time, taking into account the long-term financial interests of the beneficiaries. Where relevant, the Trustees seek to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council.

The Trustees have limited influence over managers' investment practices because all the Plan's assets are held in pooled funds, but they encourage their managers to improve their practices where appropriate.

The Trustees' view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustees' responsibility to ensure that the managers' investment approaches are consistent with their policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustees expect investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. They assess this when selecting and monitoring managers.

The Trustees evaluate investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustees would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustees' policy is to evaluate each of their investment managers by reference to the manager's individual performance as well as the role it plays in helping the Plan meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustees recognise that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustees expect their investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates.

The Trustees expect the appointed fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practical.

All insurance companies are remunerated on a fee basis related to the amount of assets under management.

The Trustees will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustees will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

Signed for and on behalf of the Trustees of the Spirent Retirement Cash and Life Assurance Plan

Signed Jane Fryer

Name	Jane Fryer
Date	29 February 2024