

# Directors' statement on corporate governance

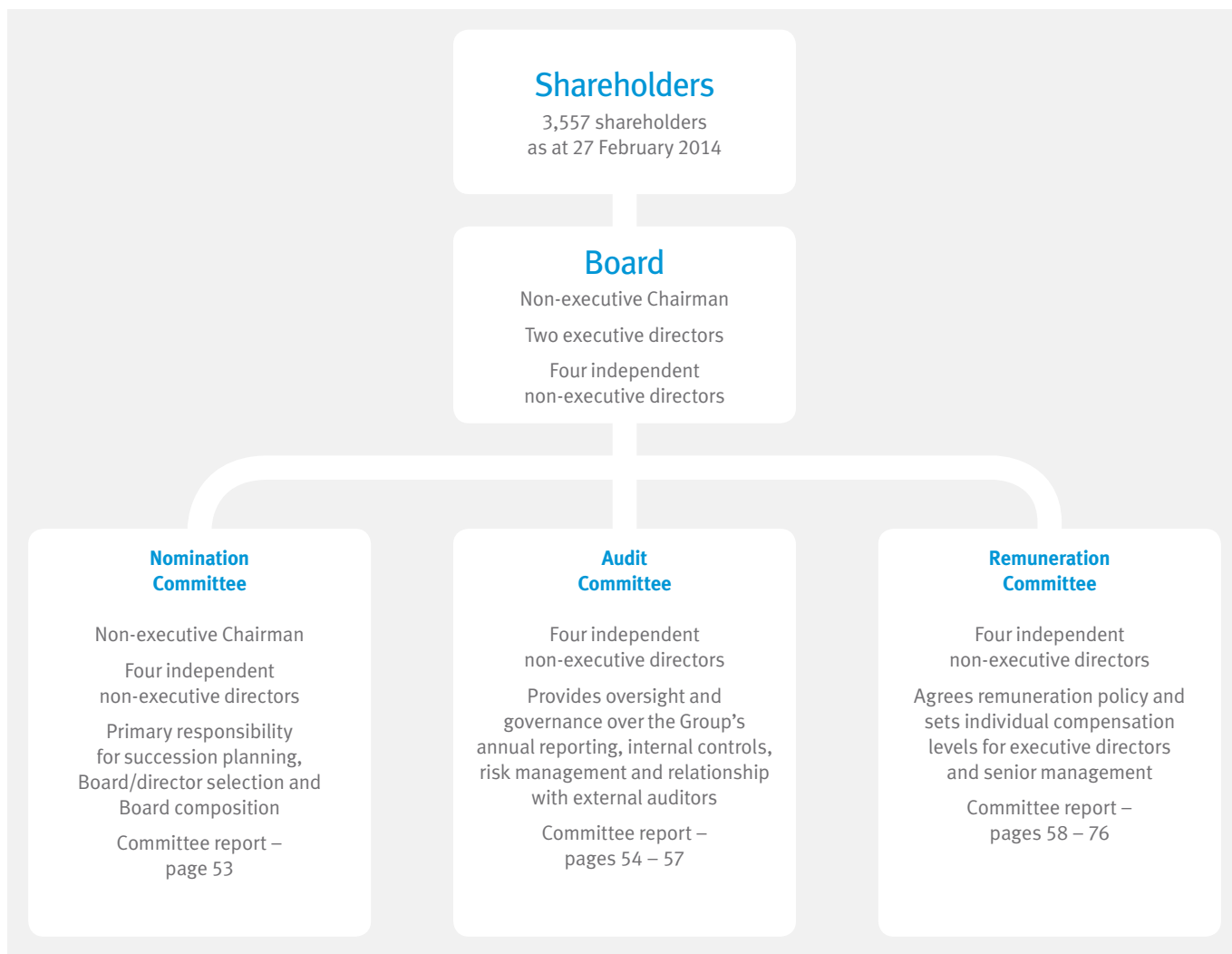
## Compliance statement

The Board fully supports the principles laid down in the UK Corporate Governance Code as issued by the Financial Reporting Council in September 2012, which applies to financial years beginning on or after 1 October 2012 (the "Code") and is available at [www.frc.org.uk](http://www.frc.org.uk).

This Report describes how the principles of the Code are applied and reports on the Company's compliance with the Code's provisions.

The Board considers that it has been in compliance with the provisions of the Code throughout the period under review except for Code Provision D.1.5 in relation to Eric Hutchinson's fixed term contract, as described more fully in the Report on directors' remuneration on page 64.

## Governance framework



## Board

### Leadership

The Board has a formal schedule of matters reserved for its decision which was reviewed and updated during the course of the year. The Board's primary responsibility is to promote the long term success of the Company by creating and delivering sustainable shareholder value. The Board seeks to achieve this through setting out its strategy, monitoring its strategic objectives and providing oversight and direction to the management team. The Board considers the impact of its decisions on wider stakeholders including employees, suppliers and the environment.

### Division of responsibilities

There is a clear division of responsibilities at the Company between the running of the Board, undertaken by the Non-executive Chairman, and the executive responsibility for the running of the Company's business, which is in the hands of the Chief Executive Officer. This division of roles is reviewed and approved by the Board.

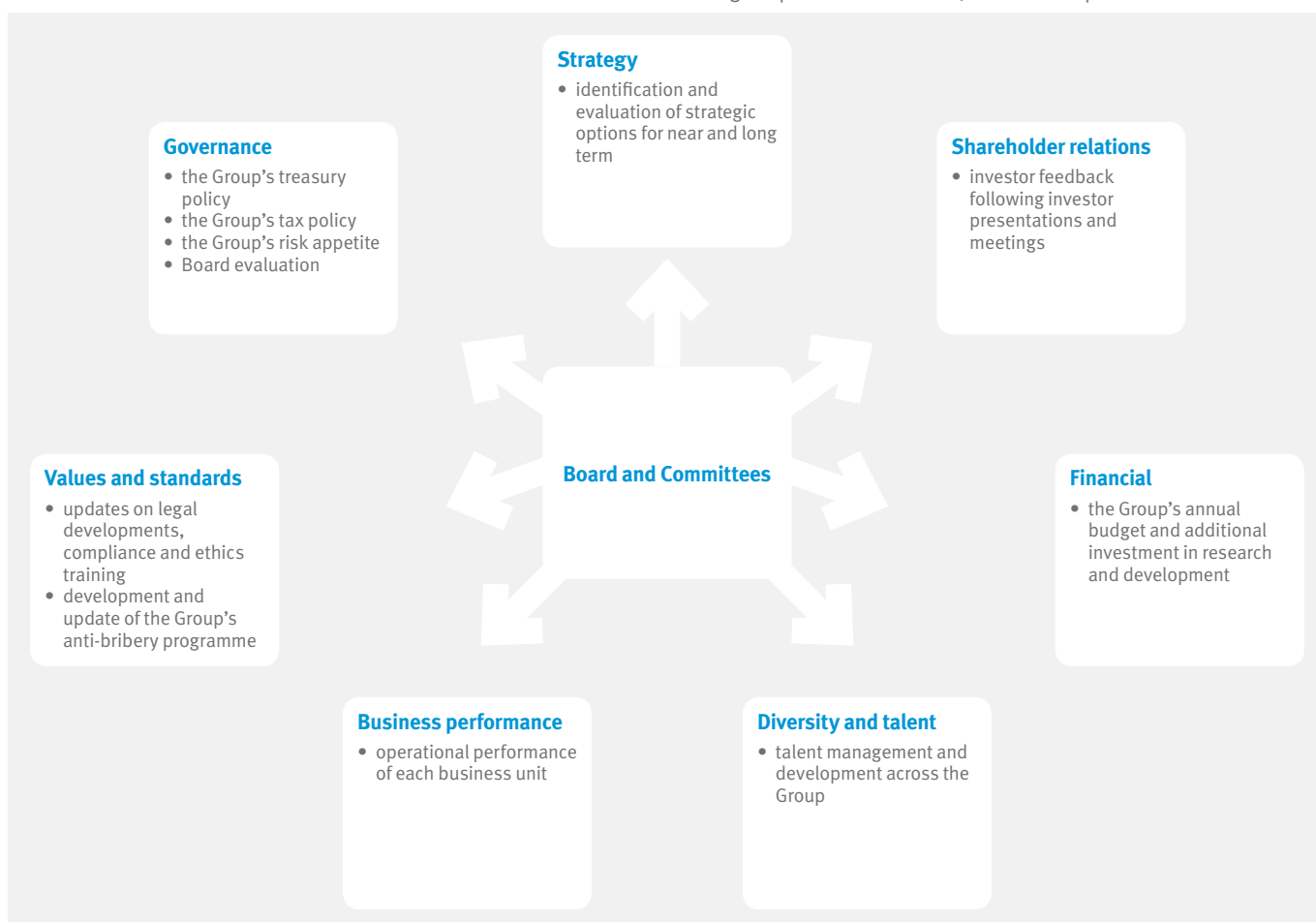
### Senior Independent Director

The role of Senior Independent Non-executive Director ("SID") provides a sounding board for the Chairman and an intermediary for the other non-executive directors, if needed. The SID is also available to meet with shareholders upon request if they feel that they have concerns which contact through the normal channels of the Chairman or an executive director has failed to resolve or for which such contact would be inappropriate.

### Board activity during the period

At each Board meeting, the Chief Executive Officer presents a comprehensive 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 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, in order that strategy discussions can reflect a greater understanding.

During the period under review, the Board in particular reviewed:



## Directors' statement on corporate governance continued

### Composition of the Board

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

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

### Independence

The independence of each director is reviewed on appointment and at least annually with particular reference to the considerations set out in Code Provision B.1.1. The Board determined that the non-executive directors are each independent in character and judgement; 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 65), 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 Code Provision B.1.2, stating that at least half of the Board (excluding the Chairman) should comprise independent non-executive directors, is satisfied.

### Board procedures

During 2013, ten Board meetings were held. The agenda is set by the Chairman together with the Chief Executive Officer and all members of the Board are supplied in advance with appropriate, clear and accurate information in a timely manner covering matters which are to be considered. Minutes of meetings are circulated to all Board members and, subject to their agreement, approved at the following Board meeting.

### Attendance

The attendance of individual directors at Board meetings held during 2013 was as follows:

	Number of meetings held	Number of meetings attended
Alex Walker (Chairman)	10	10
Bill Burns <sup>1</sup>	5	5
Eric Hutchinson	10	10
Ian Brindle <sup>2</sup>	10	8
Duncan Lewis	10	10
Tom Maxwell	10	10
Sue Swenson	10	10

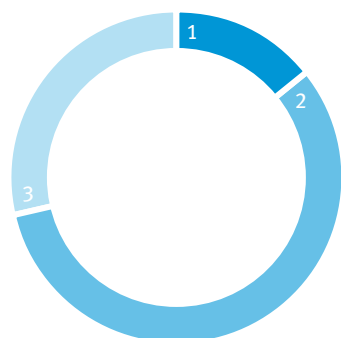
### Notes

- 1 Mr Burns stepped down from the Board on 3 September 2013.
- 2 Mr Brindle was unable to attend two *ad hoc* meetings of the Board as they conflicted with meetings already in his diary for other listed companies. Mr Brindle received all papers relating to the meetings and had the opportunity to discuss issues arising directly with the Chairman. He also appointed Alex Walker as his proxy for the duration of the meetings.

Biographical details for each of the directors are set out on pages 46 and 47 and can also be found on the Company's website at [http://corporate.spirent.com/About-Us/Our\\_Board\\_of\\_Directors](http://corporate.spirent.com/About-Us/Our_Board_of_Directors).

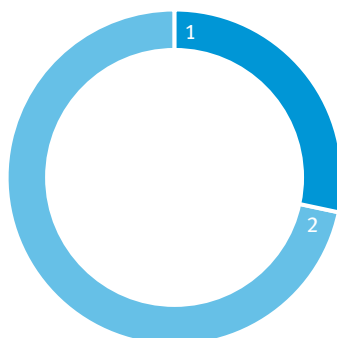
### Re-election of directors

In accordance with Code Provision B.7.1, all directors will be subject to election or annual re-election by shareholders at the 2014 AGM. The Board recommends to shareholders the re-appointment of all directors retiring at the 2014 AGM on the basis that they are all effective directors of the Company and demonstrate the appropriate level of commitment in their respective roles.



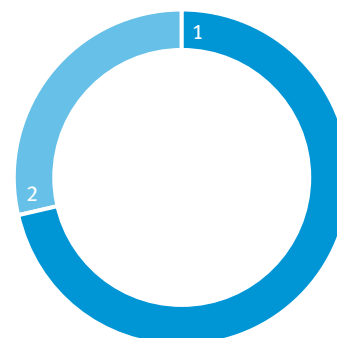
#### Board composition<sup>1</sup>

1. Chairman
2. Independent non-executive directors (4)
3. Executive directors (2)



#### Length of tenure of directors<sup>1</sup>

1. Less than 3 years (2)
2. More than 5 years (5)



#### Gender diversity<sup>1</sup>

1. Male (5)
2. Female (2)

#### Note

1 At the date of this Annual Report.

### Service contracts and letters of appointment

The terms of executive directors' service contracts are disclosed in the Report on directors' remuneration on pages 58 to 76. Directors' interests in the shares of the Company are disclosed on page 70.

Executive directors' service contracts and non-executive directors' letters of appointment are available for inspection at the Company's registered office and will be available at the AGM, which will take place on 23 April 2014.

### Induction and development

Following the appointment of any new director, the Chairman and Company Secretary ensure that a full, formal and tailored induction to the Company is made available. The Company Secretary is on hand to answer any questions which may arise. All directors receive regular updates on key administrative issues and changes in the law, corporate governance and best practice. Directors are given the opportunity to highlight specific areas where they feel their skills or knowledge would benefit from development as part of the Board evaluation process.

### Company Secretary

The Company Secretary, who was appointed by the Board, 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.

### Directors' indemnification

In accordance with its Articles, 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 performance evaluation

Every year, the Board and its committees (Audit, Nomination and Remuneration) evaluate their performance in accordance with Code Provision B.6.1. In 2012, the evaluation was conducted by Useful Thinking Ltd. (Useful Thinking Ltd has no other connection with the Company). The Board reflected on the points raised by the process and during 2013 focused in particular on the development of strategic planning and increasing the diversity both on the Board itself and within the Company's executive team. This year the process was managed internally in the form of a confidential questionnaire which focused on all areas of Board and Committee activities. The results were discussed by the Board and as a result of this year's evaluation, the Board intends to look at the following during 2014:

- to continue to review and advance strategic planning;
- to provide more opportunities for non-executive directors to meet with executives and senior managers below Board level to assist in the identification of internal talent for succession planning;
- to build greater visibility and connection with the business units to develop a mutual understanding of roles and challenges; and
- to strengthen the Board with the appointment of additional non-executive directors in order to ensure orderly succession for appointments and to ensure progressive refreshing of the Board.

The Chairman communicates regularly with the non-executive directors and this contact provides an ongoing opportunity to assess performance and to discuss the performance of the executive directors and any other matters. The Chairman has concluded that during the year under review the commitment and application of the non-executive directors was of a high standards, including each having sufficient time to discharge their responsibilities effectively.

## Directors' statement on corporate governance continued

The Senior Independent Non-executive Director met with the other independent Non-executive Directors on 6 November 2013, in the absence of the Chairman, to assess the Chairman's effectiveness. After considering and discussing the tasks undertaken by the Chairman during the period under review, the independent Non-executive Directors agreed that Mr Walker gave appropriate time and commitment to his role as Chairman of the Company and was effective in that role throughout 2013.

### Directors' conflicts

Under the Companies Act 2006, the directors have a statutory duty to avoid a situation where they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. Directors of public companies may authorise conflicts and potential conflicts where appropriate, if the Articles of Association contain a provision to this effect.

The Board is aware of the other commitments of its directors and is satisfied that these do not conflict with their duties as directors of the Company.

The Board believes that the following process shown below and established to monitor conflicts of interest is operating effectively.

### Shareholder engagement

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 Strategic Report on pages 2 to 43 details the financial performance of the Company as well as setting out the risks it faces.

The Company is always keen to hear the views of its private shareholders and we encourage them to use our shareholder mailbox – [investor.relations@spirent.com](mailto:investor.relations@spirent.com) – for detailed enquiries and to access our website – [www.spirent.com](http://www.spirent.com) – for our Company reports and business information.

Any concerns raised by shareholders, whether directly or expressed through voting patterns at the Company's AGM are discussed by the directors and an appropriate response given.

### Annual General Meeting

The Company's AGM will be held at 10.30am on Wednesday 23 April 2014 at the offices of UBS, 1 Finsbury Avenue, London, EC2M 2PP.

At the AGM, the Chief Executive Officer gives an update on the positioning and outlook for the Company. Shareholders are invited to ask questions formally during the meeting and to follow up these discussions with directors on a one-to-one basis afterwards. The Chairmen of each of the committees of the Board and the Senior Independent Director will be in attendance and will be available to respond to questions at the AGM.

The Board looks forward to welcoming all our shareholders to our 2014 AGM and to updating them on our business developments.

Directors are responsible for notifying the Company Secretary if they become aware of any actual or potential conflict situations or a change in circumstances relating to an existing authorisation

Any conflicts identified are presented to the Board for consideration and, as appropriate, authorised in accordance with the Companies Act and the Company's Articles of Association

Directors are required to review and approve a register of potential conflicts on appointment and annually thereafter