

SPIRENT COMMUNICATIONS ANNUAL REPORT 2012

Sustainability and Environmental

The Group has made significant progress in 2012 in integrating sustainability and environmental strategy into its operations and in continuing to improve environmental performance. In addition to continuing with existing initiatives on space utilisation, logistics and power consumption in products, the Group has also begun to implement the recommendations of a major review of environmental strategy that was commissioned in 2011.

Environmental Policy and compliance

The Group Environmental Policy applies to the Company and to all subsidiaries worldwide. It commits the Group to prevention and control of pollution, minimising environmental impacts, eco-efficiency, and to adopt responsible environmental practices.

The Group is also committed to compliance with all applicable environmental regulation in all of the jurisdictions in which we operate.

To meet these objectives, the Group endeavours to continuously improve environmental performance and to make robust environmental management integral to its overall strategy.

The full policy can be found at www.spirent.com in the Corporate Responsibility section.

As in previous years, the Group's main direct environmental impacts result from offices, laboratories and assembly sites accommodating employees, IT systems and travel. Business units across the Group continue to take measures to reduce impacts, including improved space utilisation, sensor controls of equipment and recycling programmes. The Group has also continued to reduce total floor space used:

Percentage reduction of square feet used compared to previous year

	2012	2011
%	4.2	13.7

During 2012 we installed two electric vehicle charging stations at Spirent offices in Sunnyvale, California. These charging stations are available to the general public as well as Spirent employees and the charging points are already being well used. Charging stations at additional Spirent locations will be installed where there is demand for their use.

Having introduced video conferencing into the Group in 2010, we invested further in 2012, increasing the number of sites covered and the quality of the user experience. Spirent is confident that video conferencing has reduced travel across the Group but it is difficult to quantify the benefit definitively.

Almost all of our products continue to be produced by external contract manufacturers and we monitor the environmental performance of our suppliers through audits and surveys. Our largest contract manufacturer is responsible for approximately 66 per cent of our production and they have an ISO 14001 certified environmental management system, alongside an extensive carbon reduction programme. The table overleaf shows their performance in reducing emissions for the last two years for which data is available.

Percentage reduction of CO2 emission over previous year

	2011	2010
%	11.9	6.1

Product design and manufacturing processes take into consideration the recycling and disposal of products at the end of their life, as far as is possible. Product design also seeks to reduce power consumption in use. For our 10Gb Ethernet products, the following reductions have been achieved.

Percentage reduction of power consumption of 10GbE products over previous year

	2012	2011
%	33	20

Our business units comply with the Waste Electrical and Electronic Equipment Regulations, the Batteries Directive and the California Electronic Waste Recycling Programme. New products are designed to meet the Restriction of Hazardous Substances Directive ("RoHS"), also known as Directive 2011/65/EU, even though Spirent Communications' hardware products are classified as Category Nine, (Monitor and Control Equipment) and are therefore currently out of scope with the RoHS Directive. All Spirent Communications' hardware products will be in compliance with the RoHS Directive at such time they are brought in to scope. Under the UK's mandatory carbon emission trading scheme (CRC Energy Efficiency Scheme), Spirent is only required to make an information disclosure.

Environment strategy

Following a comprehensive review of our sustainability strategy and management in 2011 we have an enhanced understanding of the impacts that we have on the environment and on the communities in which we operate. This has spurred the Group to make greater efforts to integrate sustainability into overall strategy, based on greater visibility of the material issues for our business.

The following material issues were identified in this review:

- Greenhouse gas emissions and climate change.
- Energy consumption in offices and manufacturing.
- Environmental management.
- Environmental reporting.

The key environmental issues were energy consumption and greenhouse gas emissions and these have been the focus of the Group's efforts in 2012.

The Group has made great progress to date in setting the framework to proactively manage and improve sustainability performance. This review of the issues material to the Group has positioned Spirent to set a clear strategic course in leveraging sustainable business thinking to improve overall performance, and this has been the main theme of the work in this area in 2012.

2012 work programme

The work over the course of 2012 has focused on defining the specific tools and methodologies that will add value in driving forward the Group's strategic sustainability objectives. This has also built on the existing culture of environmental management at the Paignton site by using this location as a center of excellence and proving ground for the Group, piloting certain key initiatives.

The 2012 work programme comprised:

- Development of a low carbon center of excellence at the site at Paignton, UK.
- Development of a low carbon site assessment toolkit.
- Review of existing Group environment and ethics policies.
- Development of sustainability management processes.

Paignton: low carbon center of excellence

The Positioning site, located in Paignton, UK, has had an ISO 14001 certified environmental management system for several years and has a good track record in improving environmental performance. For this reason, the site was selected to act as a low carbon center of excellence for the Group, piloting a number of initiatives during 2012. As a result, a wide range of potential low carbon technologies and services have been assessed for this site, and financial, environmental and strategic business cases have been developed for suitable candidate technologies. The key outcomes from this project are:

- A 15 per cent reduction in unit costs of electricity.
- Identification of further potential energy cost savings of 25 per cent based on technology and better energy management.
- Investment in a solar photovoltaic system that will generate 10 per cent of annual electricity consumption at the site.
- Business cases have been developed for the following low carbon technologies with positive NPV and payback under ten years. It is expected that these will be implemented in 2013:
 - Insulation
 - Voltage optimization
 - Air conditioning and heating system upgrades
 - LED lighting

Low carbon site assessment toolkit

A toolkit has been developed which can be used at sites across the Group to identify carbon and energy savings. This toolkit will be trialled at a number of Group sites globally in 2013.

Group environmental and ethics policies

The Group environment and ethics policies have been reviewed against leading standards ISO 14001 (Environment) and ISO 26000 (Corporate Responsibility) in order to ensure that all of the issues in these areas are properly addressed in line with the constantly evolving legislation and best practice in the field.

Group sustainability management processes

The Group's existing management procedures for environmental and sustainability were reviewed and toolkits were developed to ensure that all of our global sites continue to meet Group policy requirements and to improve performance. The toolkits cover the identification and management of environmental impacts and of legal and regulatory requirements. These will be trialled at a number of global sites during 2013.

2013 work programme

In 2013, the emphasis will be on utilising the experiences gained in 2012 and the lessons learned at Paignton to deliver value across the Group. The most financially and environmentally effective tools and measures identified in 2012 will be rolled out to selected sites across the Group. This will sit alongside the trialling of the Group management processes discussed above.

In addition to the specific measures that will be trialled at a number of global sites, the Group will also seek to enhance internal and external reporting of sustainability metrics, with a focus on greenhouse gas emissions. This is partly driven by the forthcoming requirement for UK quoted companies to report emissions in the Directors' Report, but the Group also intends to participate in the Carbon Disclosure Project in 2013 and to have greater internal reporting on key sustainability issues.