

**Spirent Communications plc Retirement Cash and Life Assurance Plan (“the Plan”)
Chair’s statement regarding the governance of defined contribution arrangements
Plan year - 1 April 2021 to 31 March 2022**

1. Introduction

- 1.1. This statement has been prepared by the Trustees of the Spirent Communications plc Retirement Cash and Life Assurance Plan (“the Trustees”) and reports on how the Trustees comply with defined contribution (DC) governance standards, which are designed to help members achieve good outcomes from their pension savings.
- 1.2. The reporting period covered by this statement is 1 April 2021 to 31 March 2022 (the “Plan year”).
- 1.3. As required by regulation, the Trustees will publish this statement on a publicly accessible website and draw it to the attention of members in their annual benefit statement. The web address will be: https://corporate.spirent.com/about-us/pension_plans_chairs_statements

2. The Plan’s DC arrangements

- 2.1. The Plan’s DC arrangements comprise:
 - 2.1.1. Pension Retirement Accounts (“PRAs”) for members who had not left the Old Section of the Plan prior to 1 January 1992. The PRAs serve as a DC underpin to a defined benefit entitlement. This arrangement is administered by Barnett Waddingham LLP (“Barnett Waddingham”) and has been closed to new joiners since 1 October 2002.
 - 2.1.2. Additional Voluntary Contributions (“AVCs”) provided through ‘bundled’ services arrangements (administration, investment and communications services) with Aviva and Utmost Life & Pensions (“Utmost”). These provide additional benefits for members of the Old Section.
- 2.2. A subsequent Pensionbuilder Section of the Plan was used for automatically enrolling new members until June 2016; however, the Pensionbuilder Section has since been fully discharged.

3. Default investment arrangement

- 3.1. There is one default investment arrangement (“the default”) for the PRAs, into which contributions for active members were previously invested.
- 3.2. Under the default, contributions are invested in funds managed by Legal & General Investment Management (“LGIM”) in the following proportions:
 - 3.2.1. 50% in the LGIM Cash Fund
 - 3.2.2. 25% in the LGIM World Equity Index Fund
 - 3.2.3. 25% in the LGIM World Equity Index Fund – GBP Currency Hedged.
- 3.3. No active changes to the allocation of the funds within the default, such as lifestyle switching or re-balancing, are undertaken following the initial investment of contributions.

Review of the default

- 3.4. No formal review of the default was undertaken in the Plan year. However, the Trustees monitor all the investment options on a quarterly basis with assistance from their investment advisers, considering both fund performance and any developments at the investment manager.

- 3.5. The default was last formally reviewed in March 2017 and the Trustees intend to review this in line with statutory requirements.
- 3.6. The Trustees have monitored the performance of the LGIM funds during the Plan year and are satisfied that the funds continue to meet their stated aims and objectives.

Further information on the default

- 3.7. Details of the investment strategy provided through the Plan, its aims and objectives and the Trustees’ investment policies are set out in the ‘statement of investment principles’ (SIP), which is appended to this statement. The SIP covers the investment policy in relation to the whole Plan and was last updated in September 2020 to incorporate new regulatory requirements.

4. Core financial transactions

- 4.1. The Trustees have a specific duty to ensure that ‘core financial transactions’ are processed promptly and accurately and must describe to members how this obligation is met.
- 4.2. Core financial transactions comprise the following, in relation to each of the Plan’s DC arrangements:
 - 4.2.1. Investment of contributions;
 - 4.2.2. Investment switches;
 - 4.2.3. Transfers out of the Plan; and
 - 4.2.4. Other payments out of the Plan.

PRAs Administration

- 4.3. Over the Plan year, the administration functions in relation to the PRAs were outsourced to Barnett Waddingham, who undertake core financial transactions on behalf of the Trustees.
- 4.4. To ensure the accuracy and timeliness of the processing of core financial transactions, the Trustees have established robust reporting and monitoring processes and controls.
- 4.5. The processes and controls in place in relation to ensuring the promptness of core financial transactions in relation to the PRAs which include the following:
 - 4.5.1. In relation to the PRAs, the Trustees have a Service Level Agreement (SLA) in place with Barnett Waddingham covering the promptness of transactions, under which Barnett Waddingham aim to process 95% of transactions within service levels for each type of transaction.

Core Financial Transactions	Service Level Agreement
Investment of contributions	5 working days
Investment switches	5 working days
Transfer out payments	3 working days
Other payments out of the Plan	5 working days

- 4.5.2. The Trustees receive regular administration reports from Barnett Waddingham which are reviewed at each trustee meeting. The reports assess performance against the SLA for each type of transaction. Over the Plan year, 87% of tasks in respect of core financial transactions for the Plan as a whole were processed within SLA, although only a small number of these were in relation to DC benefits. The majority of tasks that missed SLA were completed 1 or 2 days afterwards and where tasks miss their target, the administrators undertake to complete the outstanding action

promptly, ensure no financial detriment to members, and report the outcome to the Trustees at the next meeting.

- 4.6. The processes and controls in place in relation to ensuring the accuracy of core financial transactions for the PRAs include the following:
 - 4.6.1. The Trustees monitor the quality of the data held by Barnett Waddingham on an ongoing basis. Both common data and scheme-specific data scores are produced quarterly, and the Trustee will take action to improve data quality wherever possible. As at 31 March 2022, the common data score for the Plan as a whole was 89.13%, and the scheme-specific data score was 72.54%. Under the methodology used, both scores indicate "very good data with minimal cleansing requirements".
 - 4.6.2. The pooled investments are reconciled on a monthly basis.
 - 4.6.3. Barnett Waddingham operate a pooled banking facility. The Barnett Waddingham pension administration system is updated daily to show reconciled balances to the pooled banking system. Financial Conduct Authority regulations for holding client monies mean that Barnett Waddingham must carry out an internal and external reconciliation every day. Barnett Waddingham's internal controls are audited annually and this is evidenced by the independent auditor.
 - 4.6.4. Barnett Waddingham's processes are subject to internal controls procedures and adhere to AAF standards. Information about Barnett Waddingham's administration procedures and controls can be found in its AAF report which is published online: www.barnett-waddingham.co.uk/aaf-0120-report.
 - 4.6.5. Barnett Waddingham has also achieved accreditation in respect of ISO 27001 and ISO 9001 standards, which detail Quality Management and Information Security Management procedures.
 - 4.6.6. Administration risks are captured as part of the Plan's risk register, which also includes details of the controls established by the Trustees to mitigate such risks.
 - 4.6.7. Kreston Reeves LLP have been appointed by the Trustees to undertake an annual external audit of the report and accounts.
 - 4.6.8. Any issues uncovered regarding inaccuracies with core financial transactions are included within the quarterly reporting and considered at each trustee meeting, with any remedies required then being implemented.

AVC administration

- 4.7. Core financial transactions for the AVC arrangements are undertaken by Aviva and Utmost, co-ordinated by Barnett Waddingham, to whom the Trustees have delegated day-to-day administrative oversight. For example, in respect of payments out of the AVC arrangements, the role of Utmost and Aviva is to disinvest the appropriate funds and transfer the funds to the trustee bank account. Barnett Waddingham will then distribute the funds as required.
- 4.8. Barnett Waddingham report back to the Trustees as part of quarterly trustee meetings with any specific issues relating to the administration of the separate AVC arrangements. There were no issues reported to, or identified by, the Trustees in connection with the promptness or accuracy of the processing of core financial transactions for the AVC arrangements.

Assessment

- 4.9. There were no specific issues reported to the Trustees in connection with either the promptness or accuracy of core financial transactions processed during the Plan year for any of the Plan's DC arrangements, and there were no such issues outstanding at the end of the Plan year.

4.10. In view of the controls and monitoring arrangements, and the lack of material issues experienced during the Plan year, the Trustees believe that core financial transactions have on the whole been processed promptly and accurately.

5. Member-borne charges and transaction costs

5.1. Members bear charges and transaction costs, which will differ depending on the investment options in which their pension savings are invested:

5.1.1. Charges: these are expressed as a percentage of the value of a member's holdings within an investment fund, and can be made up of a combination of charges, e.g. annual management charge and additional expenses. We refer to the total annual charge as the Total Expense Ratio (TER).

5.1.2. Transaction costs: these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the TER charge.

Charges in relation to the PRAs

5.2. The following table provides details of the charges and transaction costs for each of the investment options provided over the Plan year (data sourced from LGIM):

Investment option	TER (p.a.)	Transaction costs (p.a.) ***
Default investment arrangement *	0.170%	0.018%
LGIM Cash Fund **	0.125%	0.020%
LGIM World Equity Index Fund **	0.203%	-0.003%
LGIM World Equity Index Fund – GBP Currency Hedged **	0.228%	0.033%

* The quoted charges and transaction costs for the default are calculated as a composite of the underlying fund charges and transaction costs, based on the proportions in which contributions were initially invested. Members' fund holdings and therefore the charges will vary depending on the funds' relative performance since the initial investment of contributions.

** These funds are not investment options in their own right.

*** In certain circumstances, the methodology used for calculating transaction costs (known as slippage) can lead to negative costs being reported. This can be, for example, where other market activity pushes down the price of the asset being traded, whilst the transaction was in progress, resulting in the asset being purchased for a lower price than when the trade was initiated.

Charges in relation to AVCs

5.3. Details of the charges and transaction costs applicable to the Aviva and Utmost AVC funds used during the Plan year are provided in the table below:

Fund name	TER	Transaction costs	Effective date
Aviva With Profit (NU) fund *	0.88%	0.038%	31/03/2022
Utmost Money Market Fund	0.50%	0.012%	31/03/2022
Utmost Multi-Asset Cautious Fund	0.75%	0.132%	31/03/2022
Utmost Multi-Asset Moderate Fund	0.75%	0.182%	31/03/2022

* As this is a with-profits fund, the charges are deducted before annual bonuses are declared.

Net investment returns

- 5.4. From 1 October 2021, trustees of all relevant pension schemes, are required to calculate and state the annualised return, net of transaction costs and charges, of all the investment options members were able to select, and in which members' assets were invested, during the Plan year.
- 5.5. The following table provides the returns for each of the DC and AVC investment options used for periods to 31 March 2022.

Investment Option	1yr net return	3yr net return (p.a.)	5yr net return (p.a.)
Default investment arrangement *	6.41%	7.19%	5.72%
LGIM Cash Fund **	-0.01%	0.17%	0.24%
LGIM World Equity Index Fund **	14.62%	14.49%	11.25%
LGIM World Equity Index Fund – GBP Currency Hedged **	11.04%	13.93%	11.16%
Aviva With Profit (NU) Fund	6.6%	Not provided	5.8%
Utmost Money Market Fund	-0.42%	-0.13%	-0.06%
Utmost Multi-Asset Cautious Fund***	0.40%	n/a	n/a
Utmost Multi-Asset Moderate Fund***	5.62%	n/a	n/a

* The quoted charges and transaction costs for the default are calculated as a composite of the underlying fund charges and transaction costs, based on the proportions in which contributions were initially invested. Members' fund holdings and therefore the charges will vary depending on the funds' relative performance since the initial investment of contributions.

** These funds are not investment options in their own right.

*** The inception date of these funds was 1 January 2020 so performance over 3 and 5 year periods is not available.

Note: all data has been sourced from the respective investment managers and the Trustees are reliant on the investment managers for the accuracy of this data.

Impact of costs and charges

- 5.6. To demonstrate the impact of member-borne costs and charges on the value of members' pension savings, the Trustees have produced illustrations in accordance with statutory guidance. These show the impact of charges and transaction costs for representative cross-sections of the membership and investment options.

Parameters used for the illustrations

- 5.7. To determine the parameters used in these illustrations, Plan members with PRAs (which make up the majority of DC arrangements in the Plan) and the investment options offered were analysed. The AVC arrangements in the Plan were not considered in this analysis due to their proportionately small asset size and usage compared to the overall DC arrangements in the Plan.

- 5.8. **Pot size:** starting pot sizes of £6,000, £9,000 and £17,000 have been selected as they reflect the 25th percentile, median and 75th percentile of pot values respectively (rounded to the nearest £1,000) as at 31 March 2022.
- 5.9. **Contributions:** future contributions have not been included in these illustrations as only one active member remains in the Plan and all other members are not paying contributions.
- 5.10. **Timeframe:** the illustrations are shown over a 30-year timeframe as this covers the time it will take the youngest Plan member to reach retirement age.
- 5.11. **Investment options:** There is only one investment option available to members with PRAs, and therefore this has been used in the illustrations.

Investment option	Rationale for inclusion	Assumed return above inflation*	TER	Transaction cost**
Default Investment Arrangement	Only investment option	- 0.25%	0.170%	0.015%

* Projected growth rates, gross of costs and charges, for each investment option are in line with the 2022 Statutory Money Purchase Illustrations (SMPIs).

** As per the statutory guidance, these are an average of the last five years' transaction costs.

Guidance to the illustrations

- 5.12. For each individual illustration, each savings pot has been projected twice: firstly for the assumed investment return gross of the costs and charges; and secondly for the assumed investment return net of the costs and charges.
- 5.13. Projected pot sizes are shown in today's terms, so do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations, at 2.5% per year.
- 5.14. Values shown are estimates and not guaranteed.
- 5.15. The starting date for the illustrations is 31 March 2022.
- 5.16. The illustrations should be read based upon the number of future years that a member expects to be invested in those funds.

Default investment arrangement

- 5.17. This has been included as it is the default investment arrangement and only investment option for the PRAs, which hold the vast majority of members and assets of a DC nature in the Plan. It is therefore the only investment option that provides a representative illustration.

Years of investment	Starting pot size £6,000		Starting pot size £9,000		Starting pot size £17,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£6,000	£6,000	£9,000	£9,000	£17,000	£17,000
2	£5,971	£5,949	£8,956	£8,924	£16,917	£16,856
5	£5,927	£5,874	£8,891	£8,810	£16,794	£16,642
10	£5,855	£5,750	£8,783	£8,625	£16,590	£16,292
15	£5,784	£5,629	£8,676	£8,443	£16,389	£15,948
20	£5,714	£5,510	£8,571	£8,265	£16,190	£15,613

Years of investment	Starting pot size £6,000		Starting pot size £9,000		Starting pot size £17,000	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
25	£5,645	£5,394	£8,467	£8,091	£15,993	£15,284
30	£5,576	£5,281	£8,364	£7,921	£15,799	£14,962

Note on how to read this table: If a member had £6,000 invested in this strategy on 31 March 2022, when they came to retire in 10 years, the fund could be worth £5,855 if no charges are applied but £5,750 with charges applied.

Value for members

- 5.18. The Regulations require the Trustees to assess the extent to which a scheme provides value for members
- 5.19. The method to be used for this assessment changed for schemes with assets of less than £100m that have been operating for three years or more, effective for scheme years ending after 31 December 2021. The Plan fits these criteria.
- 5.20. The Trustees are required to assess the extent to which the Plan provides value for members when compared to the value that members might receive from being part of an alternative (comparator) scheme and comprises three components:
- 5.20.1. An assessment of costs and charges relative to the average costs and charges for three comparator schemes.
- 5.20.2. An assessment of net investment returns relative to the average net investment returns for three comparator schemes.
- 5.20.3. A self-assessment across seven key metrics of scheme administration and governance.
- 5.21. For the relative assessments, costs and charges and net returns for default arrangements should be compared with those for the default arrangements of the comparator schemes. Where popular self-select funds are identified, these should be compared with those for the nearest comparable funds in the comparator schemes, however comparison of self-select options was not undertaken in this case as the Plan has a single investment option for the main DC benefits.
- 5.22. The value for members assessment was undertaken in accordance with the statutory guidance for the Plan year. Analysis was undertaken by Barnett Waddingham LLP, the Trustees' advisers, and the findings considered and the outcome confirmed at a Trustees' meeting in October 2022.
- 5.23. For the relative components of the assessment, the Trustees compared the Plan to three schemes with total assets of over £100m, covering multiple different structures and two of which complied with the requirement that they could potentially accept a transfer of the Plan's DC assets.
- 5.24. The outcomes of the three components of the assessment were:
- 5.24.1. Focusing only on the default investment arrangement, in which all 'Old Section' DC assets are invested, costs and charges for the Plan were lower than the average for the comparator schemes. The Trustees therefore concluded that the Plan provides good value for members in relation to costs and charges.
- 5.24.2. Focusing only on the default investment arrangement, in which all 'Old Section' DC assets are invested, net investment returns for the Plan were closely comparable and slightly higher than the average for the comparator schemes. The Trustees therefore concluded that the Plan provides good value for members in relation to net investment returns.
- 5.24.3. The Trustees considered all seven metrics across scheme administration and governance, these being:

- 5.24.3.1. Promptness and accuracy of core financial transactions;
- 5.24.3.2. Quality of record keeping;
- 5.24.3.3. Appropriateness of the default investment strategy;
- 5.24.3.4. Quality of investment governance;
- 5.24.3.5. Level of trustee knowledge, understanding and skills to operate the pension scheme effectively;
- 5.24.3.6. Quality of communication with Plan members; and
- 5.24.3.7. Effectiveness of management of conflicts of interest.

5.24.4. The Trustees' performance against these metrics was reviewed and they concluded that the Plan provides good value for members in relation to these metrics.

- 5.25. Taking the three components into account, the Trustees concluded that overall the Plan's DC arrangements offer good value for members.
- 5.26. The method of assessment is prescribed and there are some factors that were not considered but that add value including the services of the professional trustee, legal advisers, consultants and auditors, all of which are paid for by the Company.

6. Trustee knowledge and understanding

The Trustee Board

- 6.1. As at 31 March 2022, the Trustees comprised four individual trustees, one of whom is nominated by the members and three of whom are appointed by the Company. There remains an outstanding vacancy for a second member-nominated Trustee.
- 6.2. One of the Company-appointed trustees, Apex ATL Pension Trustees Limited, represented by Jane Fryer, is the Chair and is a professional trustee.

Trustee knowledge and understanding requirements

- 6.3. Trustees are required to be conversant with a scheme's main documents and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets to enable them to properly exercise their functions.

Approach

- 6.4. The Trustees have a working knowledge of the Plan's trust deed and rules as well as all other Plan documents such as the SIP, the risk register and current policies, e.g. conflicts of interest. They do so through their experience in governing the Plan, as well as specific activities over the Plan year and access to professional advice – see sections 6.12 to 6.14 for more details.
- 6.5. The Trustees aim to achieve and maintain knowledge and understanding of the law relating to pensions and trusts, the funding of occupational plans and investment of Plan assets through a combination of training and taking professional advice.
- 6.6. The inclusion of a professional trustee as chair enhances the knowledge of the trustee board by way of the significant experience gained through appointments on other trustee boards, associated access to a wide range of professional advisers, and the ongoing Continuous Professional Development (CPD) requirements that must be adhered to in order that professional status is maintained.
- 6.7. The majority of trustee training is undertaken at regular trustee meetings by the Trustees' professional advisers, and this is supplemented with training activities such as attending seminars and conferences and

reading pensions-related articles. A training log is maintained in relation to training undertaken and is reviewed and updated at each trustee meeting.

- 6.8. An induction process is in place for newly appointed trustees, which includes receiving access to the Plan's governing documentation, meetings with the Trustees' advisers and completion of the Pensions Regulator's Trustee Toolkit modules.
- 6.9. The Trustees consult with professional advisers as and when required, for example on consultancy, investment and legal matters. The professional advisers are engaged to pro-actively alert the Trustees on relevant changes to pension and trust law. Professional advisers also provide support in relation to understanding and reviewing the Plan's documents, attending trustee meetings and often in the delivery of training at these meetings.
- 6.10. The Trustees recognise the importance of carrying out a self-assessment exercise to identify knowledge gaps and training needs in relation to emerging legislation, Plan changes and upcoming matters in the Plan's business plan. The Trustees undertook such an assessment during the previous Plan year and this was used to help design the training sessions which the Trustees received during this period.
- 6.11. A Governance Working Party ("GWP") sub-committee considers all matters relating to the good governance of the Plan, e.g. to review and maintain the Trustees' business plan and risk register, and to monitor the DC benefits within the Plan in line with the Pensions Regulator's DC Code of Practice. A formal Terms of Reference outlines the authorities that have been delegated, and the GWP reports back to the full Trustee Board at the following meeting.

Activities over the Plan year

- 6.12. The Trustees, either through the full board or the GWP, reviewed the following Plan documents during the year:
 - 6.12.1. Risk register;
 - 6.12.2. Cyber security policy;
 - 6.12.3. Business continuity plan;
 - 6.12.4. Business Calendar;
 - 6.12.5. Annual report and accounts;
 - 6.12.6. Annual Chair's Statement and value for members assessment;
 - 6.12.7. Implementation statement; and
 - 6.12.8. A statement confirming compliance with the Competition and Markets Authority (CMA) Order.
- 6.13. The Trustees received training during the Plan year on the following topics, both at regular trustee meetings and a specific trustee training day in August 2022:
 - 6.13.1. Responsible investment, with particular focus on upcoming legislative requirements and the approaches taken by investment managers. This included a presentation from Legal & General Investment Management (LGIM);
 - 6.13.2. TPR's upcoming combined code of practice and associated new governance framework requirements for trustees;
 - 6.13.3. New powers for trustees in respect of due diligence checks for transfers out; and
 - 6.13.4. Legislative updates and market developments in respect of DC pension provision, with a focus on how value for member assessment requirements are changing for certain schemes.
- 6.14. During the Plan year, the Trustees took professional advice on the following DC matters:

- 6.14.1. The underlying assumptions for the Statutory Money Purchase Illustrations;
- 6.14.2. Undertaking the annual value for members' assessment;
- 6.14.3. Completion of the annual governance statement and implementation statement;
- 6.14.4. Quarterly investment performance monitoring; and
- 6.14.5. Confirming compliance with the CMA Order

Assessment

- 6.15. The Trustees consider that their combined knowledge and understanding, together with their access to professional advice, enables them to properly exercise their trustee functions.

J Fryer

Jane Fryer, of Apex ATL Pension Trustees Limited

Chair of the Trustees

20 October 2022

Date