Spirent Communications Plc Staff Pension and Life Assurance Plan (the 'Plan')

Statement of Investment Principles

May 2023

1. Introduction

This Statement of Investment Principles ("SIP") sets out the policy of the Trustees of the Spirent Staff Pension and Life Assurance Plan ('the Trustees") on various matters governing decisions about the investments of the Spirent Communications Plc Staff Pension and Life Assurance Plan ('the Plan"), which has Defined Benefit ("DB") and Defined Contribution ("DC") sections. This SIP replaces the previous SIP dated September 2019.

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 ("the Act"), and subsequent legislation. The SIP also reflects the Trustees' response to the Myners voluntary code of investment principles.

This SIP has been prepared after obtaining and considering written professional advice from LCP, the Plan's investment adviser, whom the Trustees believe to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments including the need for diversification, given the circumstances of the Plan, and the principles contained in this SIP. The Trustees have consulted with the employer in producing this SIP.

The Trustees will review this SIP from time to time and, with the help of its advisers, will amend it as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

Appendix 1 sets out details of the respective key responsibilities of the Trustees, investment adviser and investment managers. It also contains a description of the basis of remuneration of the investment adviser and the investment managers.

2. Investment objectives

The Trustees' investment objectives are that:

DB assets

The Trustees aim to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided.

DC assets

The Trustees' primary objective for the DC assets is to deliver long-term growth of the members' funds.

3. Investment strategy

DB assets

The majority of the Plan's assets comprise a bulk annuity policy with Pension Insurance Corporation ("PIC") purchased in November 2022 to secure the Plan's promised DB benefits. This bulk annuity policy will meet all cash flows due from the Plan to members.

Other annuity policies in respect of individual members are held with Aviva, Canada Life, Clerical Medical, Legal & General, Phoenix Life, ReAssure and Standard Life.

The Section's remaining assets are currently managed by Legal & General Investment Management Limited ("LGIM") and are held in the LGIM Sterling Liquidity Fund.

DC assets

Some members have transferred in benefits notionally invested within the Plan's investments. These members do not hold any actual investments in the Plan, but instead are assigned fund units based on the amount of benefits initially transferred in. The value of these units is determined by the underlying value of the Staff Plan assets.

Some members have transferred in benefits invested in a corporate investment account with Clerical Medical.

4. Considerations made in determining the investment arrangements

DB assets

When deciding how to invest the Plan's assets, the Trustees consider a number of risks, including, but not limited to, those set out in Appendix 2. Some of these risks are more quantifiable than others, but the Trustees have tried to allow for the relative importance and magnitude of each risk.

The Trustees considered a wide range of asset classes for investment, and the expected returns and risks associated with those asset classes.

In setting the strategy for the DB Section, the Trustees also took into account:

- the best interests of members and beneficiaries;

- the circumstances of the Plan, including the profile of the benefit cash flows, the funding level, and the strength of the employer covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies; and
- the need for appropriate diversification between different asset classes.

DC assets

In determining the investment arrangements for members with DC assets, the Trustees considered:

- the best interests of all members and beneficiaries;
- the need for appropriate diversification within the investment options; and
- any other considerations which the Trustees consider financially material over the periods until members' retirement, or any other timeframe which the Trustees believe to be appropriate.

5. Implementation of the investment arrangements

Before investing, the Trustees obtain and consider proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers, their objectives, investment guidelines, and custody arrangements where relevant are set out in Appendix 3.

The Trustees and investment managers to whom discretion has been delegated exercise their powers giving effect to the principles in this Statement of Investment Principles, so far as is reasonably practicable.

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' 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 its 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. 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 its 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 expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates.

6. Realisation of investments

When appropriate, the Trustees decide on the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements.

For members with DC assets, the Trustees policy is to invest in funds that offer sufficient liquidity to enable members to readily realise their investments.

7. Social, environmental, and ethical considerations

The Trustees believe that environmental, social, and corporate governance (ESG) factors can have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, including climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustees have taken into account the expected time horizon of the Plan when considering how to integrate these issues into the investment decision making process.

The Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights, and stewardship actions attached to investments, including undertaking engagement activities, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. Stewardship actions for fixed income portfolios can include assessing bond managers on the extent to which they use their influence to engage companies to whom they lend money, including collective engagement initiatives.

Member views in respect of non-financial matters are not taken into account in the selection, retention and realisation of investments, but members can make their views known to the Trustees. This position is reviewed periodically.

The Trustees have not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

8. Exercise of investment rights

The Trustees have examined how rights, including voting rights, attached to investments should be exercised. The Trustees recognise its responsibilities as shareholders being the owners of capital, and believes that good corporate governance enhances shareholder value in the long term.

The Trustees cannot usually directly influence the investment managers' policies on the exercise of investment rights or engagement where assets are held in pooled funds; this is due to the nature of these investments. The Trustees understand that engagement and investment rights will be exercised by the investment managers in line with the investment managers' general policies on corporate governance, which reflect the recommendations of the UK Stewardship Code, and which are provided to the Trustees from time to time, taking into account the financial interests of the beneficiaries.

SIP signed for and on behalf of the Trustees of the Plan:

Signed:

Signed:

Appendix 1: Responsibilities, decision-making and fees

The Trustees have decided on the following division of responsibilities and decision-making for the Plan. This division is based upon the Trustees' understanding of the various legal requirements placed upon it, and its view that this division allows for efficient operation of the Plan overall. The Trustees' investment powers are set out within the Plan's governing documentation.

1. Trustees

In broad terms, the Trustees are responsible in respect of investment matters for:

- setting the investment strategy, in consultation with the employer;
- reviewing the investment policy as part of any review of the investment strategy;
- setting the policy for rebalancing between asset classes;
- appointing (and, when necessary, dismissing) investment managers, custodians, investment adviser, actuary and other advisers;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- considering financially material risks in relation to the investment strategy of the Plan;
- communicating with members as appropriate on investment matters;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer when reviewing the SIP.

2. Investment managers

In broad terms, the investment managers will be responsible for:

- managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation;
- engagement with underlying companies in respect to the investment managers own policies around ESG and climate change;
- providing the Trustees with regular information concerning the management and performance of their respective portfolios; and

- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The custodians of the portfolios (even though they do not have a direct relationship with the Trustees) are responsible for safe keeping of the assets and facilitating all transactions within the portfolios.

3. Investment adviser

In broad terms, the investment adviser will be responsible, in respect of investment matters, as requested by the Trustees, for:

- advising on how material changes within the Plan's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- advising on the selection, and review, of the investment managers;
- for the DC Section, advising on a suitable fund range, and how material changes to legislation or within the Plan's benefits and membership may impact this; and
- participating with the Trustees in reviews of this SIP.

4. Fee structures

The Trustees recognise that the provision of investment management and advisory services to the Plan results in a range of charges to be met, directly or indirectly, by deduction from the Plan's assets.

The Trustees has agreed Terms of Business with the Plan's investment adviser, under which work undertaken is charged for by an agreed fixed fee or on a 'time-cost' basis.

The investment managers receive fees calculated by reference to the market value of assets under management. The fee rates are believed to be consistent with the managers' general terms for institutional clients and are considered by the Trustees to be reasonable when compared with those of other similar providers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustees' view as to the most appropriate arrangements for the Plan. However, the Trustees will consider revising any given structure if and when it is considered appropriate to do so.

5. Performance assessment

The Trustees are satisfied that there are sufficient resources to support its investment responsibilities and the Trustees believe that they have sufficient expertise and appropriate training to carry out their role effectively.

It is the Trustees' policy to assess the performance of the Plan's investments, investment providers and professional advisers from time to time. The Trustees will also carry out periodically an assessment of their own effectiveness as a decision-making body and will decide how this may then be reported to members.

Appendix 2: Policy towards risk, risk measurement and risk management

1. Risk appetite and risk capacity

Risk appetite is a measure of how much risk the Trustees are willing to bear within the Plan in order to meet its investment objectives. Taking more risk is expected to mean that those objectives can be achieved more quickly, but it also means that there is a greater likelihood that the objectives are missed, in the absence of remedial action. Risk capacity is a measure of the extent to which the Trustees can tolerate deviation from its long term objectives before attainment of those objectives is seriously impaired. The Trustees aim to strike the right balance between risk appetite and risk capacity.

When deciding on the current investment strategy, the Trustees believed the level of risk to be appropriate given the Trustees' and employer's risk appetite and capacity, given the Plan's objectives.

The Trustees consider that there are a number of different types of investment risk that are important for the Plan. These include, but are not limited to:

2. 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 believes that this risk is managed by investing in an annuity policy which match the benefit outgo.

3. 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's bulk annuity policies are directly exposed to the solvency of the insurer. The Trustees are comfortable that this risk is mitigated by the strict UK regulatory regime of insurance companies, and the protections provided by the Financial Services Compensation Scheme.

4. 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), which is addressed by the annuity policy held in respect of all pensions; and
- sponsor covenant risk (the risk that, for whatever reason, the sponsoring employer is unable to support the Plan as anticipated).

Together, the investment and non-investment risks give rise generally to funding risk. This is the risk that the Plan's funding position falls below what is considered an appropriate level. By understanding and considering the key risks that contribute to funding risk, the Trustees believe that it has appropriately addressed and is positioned to manage this risk.

Appendix 3: Investment manager arrangements

Details of the investment managers, their objectives and investment guidelines are set out below.

1. DB assets

The fund manager structure and investment objectives for each fund manager ("mandates") are as follows:

The majority of the Plan's assets comprise a bulk annuity policy with PIC. The remaining assets are held in the LGIM Sterling Liquidity Fund

Legal & General Investment Management

Sterling Liquidity Fund

To produce a high degree of capital and liquidity preservation with a return in line with SONIA.

The LGIM appointment represents a direct investment in the form of an insurance policy with Legal & General Assurance (Pensions Management) Ltd, which in turn invests in units in a pooled fund managed by Legal & General Investment Management Limited.

2. DC assets

The investment objectives for each mandate are outlined below:

Notionally invested assets

The value of the units assigned to members notionally invested within the Plan's investments is determined by the underlying value of the Staff Plan assets.

Clerical Medical

Balanced Fund

The fund aims to achieve long-term capital growth by gaining exposure predominantly to UK and overseas equities with flexibility to gain a minority exposure to commercial property and fixed interest stocks.

The Trustees have received advice on the appropriateness of these targets, benchmarks and risk tolerances from an appropriately qualified investment adviser and believe them to be suitable for the Plan.