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27 July 2011

Chris Hodge
Corporate Governance Unit
Financial Reporting Council
Fifth Floor
Aldwych House
71 – 91 Aldwych
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Via email: codereview@frc.org.uk

Dear Mr Hodge:

I am writing on behalf of the Board of Directors of Volex Group plc in response to the FRC Consultation Document: Gender Diversity on Boards (May 2011).

We agree that the under-representation of women at the board level is an issue for companies. In this respect, our members support generally the recommendation of the FRC to enhance the UK Corporate Governance Code with more specific references to diversity, including gender diversity, in the appointment and the annual reporting processes. We are concerned however that specific requirements focused on gender diversity will dilute the efforts toward seeking diversity on a more general basis, and the reasons for those efforts, bringing different perspectives and backgrounds to the boardroom to improve the effectiveness and quality of the board.

We believe that additional emphasis in the Code is required in order to focus efforts on achieving greater diversity in the boardroom. While the June 2010 revisions to the Code recognised the importance of considering diversity in the board appointment process, requiring disclosures of the actual policy of a listed company toward diversity is an important and needed step toward accelerating the pace of increased diversity.

The consultation proposes additional wording to Provision B.2.4 stating that the section of the annual report that describes the work of the nomination committee should ***“include a description of the board’s policy on gender diversity in the boardroom, including any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.”***

We welcome a proposal to require listed companies to establish a diversity policy regarding board membership and disclose that policy in the annual report. Consistent with our view above, we would prefer however that the reference to “policy on gender diversity” be revised to read “policy on diversity of background and gender.”

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Registered office as above
Registered in England and Wales No.158956.

Members of the Volex board are conceptually supportive of numerical targets for women representation on boards. However, we are concerned that a fixed target for representation by women or any other diversity group would tend to devolve into *de facto* quotas. We are further concerned that numerical targets would create another “tick the box” exercise for shareholder intermediaries. For these reasons, we believe the additional wording of Provision B.2.4 requiring disclosure of the diversity policy, measurable objectives of the policy, and progress towards the objectives should be sufficient to form a basis for shareholders to engage in a meaningful dialogue with companies around the efficacy of the Company’s diversity measures without requiring prescriptive and artificial numerical targets. To support this dialogue and better inform shareholders, we would welcome a revision to the Code requiring disclosure of the diversity (including gender) makeup of the board and senior management. If over time, improvement in gender and other diversity measures do not improve, further consideration should be given to the establishment of targets, and only as a last resort, quotas.

In line with the need to address diversity in the appointment process, we would further support a revision to Provision B.2.2 as follows:

“The nomination committee should evaluate the balance of skills, experience, **diversity of background and gender**, independence and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.”

Volex board members also agree with the FRC suggestion that setting out, at a high level, the key elements of a diversity policy generally would be helpful as guidance. In addition, any such guidance should be sufficiently broad to take into account differences in size, industry, geographic focus, markets and maturity of the companies and to allow each company to formulate a policy that is appropriate to its own circumstances and requirements.

We support the new proposed supporting principal to Provision B.6 to include in an evaluation of the board, the board’s diversity policy generally, but would respectfully suggest that specifying gender diversity will undermine the focus on diversity in the round. As such, we would support the following new Provision B.6 *“Evaluation of the board should consider the balance of skills, experience, independence and knowledge of the company on the board, the board’s policy on diversity, how the board works together as a unit, and other factors relevant to its effectiveness.”*

The Volex board notes the FRC’s statement on the purpose of the Code, ensuring the effectiveness of the board of directors:

“The focus of the UK Corporate Governance Code is on improving the quality and functioning of corporate boards, rather than on any wider social objectives. The FRC believes that diversity, in all its aspects, serves an important purpose in connection with board effectiveness.”

We could not agree more. Lord Davies’ February 2011 “Women on Boards” report makes the business case for increasing gender diversity on boards, identifying four key dimensions: improving performance, accessing the widest available talent pool, being more responsive to the market and achieving better corporate governance. By improving transparency of

board policies around diversity generally and the diversity makeup of the board and management, shareholders will be able to gauge the appropriateness of the policies and actions of the board in optimising the benefits of diversity overall.

Implementing the proposed changes for financial years beginning after 29 June 2012 would set the correct tone and permit companies to prepare and advance their diversity plans to allow for meaningful disclosure. This deferral could also allow time for the FRC to complete its next formal review.

We appreciate the opportunity to comment on the proposals and engage the FRC in a dialogue about an important topic. We hope our comments have been useful and would be happy to expand upon them further as appropriate.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mike McTighe', with a stylized flourish at the end.

Mike McTighe, Chairman