

Volex Plc
The Senior Independent Director
London

Zug, May 26th, 2016

To the Senior Independent Director

As we stated in our previous letter dated 17 May, we have grave concerns regarding the Volex corporate governance after the events late last year when the 26% shareholder and recently appointed non-executive board member took control of the company with the help of the CFO (and long-term friend) to become Executive Chairman by ousting both the Chairman and the Senior Independent Director. With this letter, we would like to take the opportunity to address these concerns.

In November 2015, Nathaniel Rothschild was appointed Executive Chairman of Volex after having been appointed to the board one month earlier. The UK Corporate Governance Code clearly states that

*“The roles of the Chairman and chief executive should not be exercised by the same individual”.
(Code Provision A.2.1)*

Companies are expected to **comply or explain** in cases of non-compliance and Volex offered (an exceptionally) weak explanation at the time:

“...the role of Chairman and CEO should be combined into an Executive Chairman position...Volex currently operates using a divisional CEO structure, and the board does not believe it is necessary to appoint a group CEO”. (Volex Regulatory News – Directorate Change – 27 November 2015)

Although technically an explanation, it does not offer any clarification how Volex has applied the principle of a clear division of responsibilities (no individual with unfettered powers of decision) to comply with Code Provision B.1. Instead, the explanation seemingly makes an argument from an operational efficiency and cost perspective. This view was reinforced less than a month later with the announcement that divisional chief executives would leave the company with immediate effect. The explanation was equally non-informative and read:

*“The Board has determined that the existing dual management structure is no longer necessary.”
(Volex Regulatory News – Management Changes – 21 December 2015).*

Based on statements from your CFO, it seems that the parting of the two divisional chief executives was targeted for more than a year, thereby turning the scarce explanation for appointing the largest shareholder Executive Chairman from 27 Nov 2015 void.

Your reply dated 18 May 2016 further reinforced the view that the decision to appoint Nathaniel Rothschild to the role of Executive Chairman was based on operational decisions without taking the resulting non-compliance of the UK Corporate Governance Code into consideration. Our concerns that relate to Leadership, Effectiveness and Accountability according to the Code were left unaddressed.

As temporary senior independent director of Volex, you have a responsibility to oversee corporate governance issues within the company and to address these effectively. We therefore appreciate your written response (compliance with Code Provision A.4.1) despite your Chairman's recommendation to follow a policy of not responding to any e-mails from us. We however agree with the Financial Reporting Council that such explanations that Volex so far has offered to the exceptional leadership changes undertaken last year can only be called "**insubstantial explanations**" that do not address any corporate governance concerns.

The code also clearly states that the Chairman should meet **independence criteria** that are not fulfilled in the current situation. Despite **non-compliance** with the Code, Volex did not offer any explanation although it is expected that the board sets out its reasons at the time of appointment as well as in the "Directors' Report". Furthermore, the absence of a Chairman of the remuneration committee and the lack of any detailed information regarding the share awards granted on 1 April 2016 call the efficiency of Volex corporate governance into question, especially as the largest shareholder and company Chairman is the main beneficiary.

As shareholders in Volex we would expect clear explanations to why Volex decided not to comply with the UK Corporate Governance Code and how minority shareholder's interests are protected in the current situation. The appointment of a Senior Independent Director will be a step in the right direction but hardly sufficient. The exceptional measures undertaken last year clearly warrant an explanation and we are as investors obliged to monitor our investee companies, to satisfy ourselves that company leadership is effective and adhering to the spirit of the UK Corporate Governance Code to be able to act in the interests of our clients.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Adriano Agosti', with a horizontal line extending to the right and ending in an arrowhead.

Adriano Agosti