



Our Ref: SFG ASX Announce Corporate Governance (457)

28 January 2016

ANNOUNCEMENT 457

Company Announcements Office
Australian Securities Exchange
Level 4
20 Bridge Street
SYDNEY NSW 2000

By ASX Online
Number of pages: 9
(including this page)

Corporate Governance Update

Dear Sir

Seafarms Group Limited (ASX: SFG) (**Company**) has updated its corporate governance policies to comply with its obligations under the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**). Through this process the Board has adopted the following updated corporate governance policies which are now available on the Company's website:

- Board Charter
- Code of Conduct
- Audit, Risk and Compliance Committee Charter
- Nomination and Remuneration Committee Charter
- Securities Trading Policy
- Continuous Disclosure Policy
- Shareholder Communications Policy
- Diversity Policy

The Compliance Table below provides a summary of the ASX Recommendations which the Company complied with for the year ended 30 September 2015 and currently complies with following the corporate governance policy update process. The Board has authorised the release of this Corporate Governance Update announcement. The Company will also release an Appendix 4G with this announcement based on the revised corporate governance policies outlined above.

The Company and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to hold the view that with the Company's current size and nature of operations, full adoption of the best practice recommendations is currently not practical. The Board will continue to work towards full adoption of the recommendations in line with the growth and development of the Company in the years ahead.

On 30 November 2015, the Company released its 2015 Annual Report. The Compliance Table below updates the Company's Corporate Governance Statement for the year ended 30 September 2015 (**Statement**) in the 2015 Annual Report.

Yours faithfully

Seafarms Group Limited

Harley Whitcombe
Company Secretary
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Compliance table

Recommendation	Status at 30 September 2015	Status at 28 January 2016
Principle 1 – Lay solid foundations for management and oversight		
<p>1.1 A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p>	<p>Compliant.</p> <p>The role and powers of the Board are set out in the Company’s 2015 Annual Report and the Board Charter, both published on the Company’s website.</p> <p>Due to its size and the specialised markets in which it operates, the Company does not have a formal separation of duties between the Board and management. Board members, who are also members of senior management, work together as a small cohesive team to strengthen the Company’s business and provide sound corporate governance.</p>	<p>Compliant.</p> <p>The Board has updated its Board Charter, which explains the respective roles of the Board and senior management.</p> <p>The Company structure remains unchanged, as there is still no formal separation between the Board and senior management for reasons previously disclosed.</p>
<p>1.2 A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>Not compliant.</p> <p>The Board is responsible for director nomination and conducts appropriate checks before proposing a candidate for election.</p> <p>The Company will provide shareholders with all material information in its possession, whenever shareholders are asked to vote on the election or re-election of a director at a general meeting.</p>	<p>Compliant.</p> <p>The Nomination and Remuneration Committee is responsible for conducting all appropriate checks before proposing a candidate for election or re-election as a director. Shareholders will be provided with all material information in the Board’s possession relevant to any decision to elect or re-elect a director at a general meeting. This information will be in the relevant notice of meeting and accompanying materials.</p>
<p>1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p>Compliant.</p> <p>Directors and senior executive have written employment agreements with the Company, which set out the terms of their appointment.</p>	<p>Compliant.</p> <p>No update.</p>
<p>1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.</p>	<p>Compliant.</p> <p>The Company Secretary is accountable directly to the Board, as all Board members are directly accountable to each other.</p>	<p>Compliant.</p> <p>The company secretary is directly accountable to the Board, through the chair. This is disclosed in the Company’s updated Board Charter.</p>
<p>1.5 A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity’s progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board</p>	<p>Not compliant.</p> <p>The Board has not yet adopted a formal diversity policy with measurable objectives, but acknowledges the importance of diversity in a workplace.</p> <p>The Company is alive to this recommendation and will continue to review their approach in light of their continued growth.</p>	<p>Compliant.</p> <p>The Company is committed to achieving diversity in the workplace, and is proud of its efforts to employ outstanding candidates with a range of backgrounds, genders and ages.</p> <p>The Board has adopted a Diversity Policy in which it has set its own objectives for achieving gender diversity, and this policy is published on the Company’s website.</p> <p>The Board will, at the end of every reporting period henceforth, disclose the measurable objectives set by the Board in the Diversity Policy and report on the Company’s progress towards achieving them.</p>

in accordance with the entity's diversity policy and its progress towards achieving them and either:

- (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or
- (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

1.6	<p>A listed entity should:</p> <ol style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<p>Not compliant.</p> <p>The Chairperson is currently responsible for reviewing the performance of the Board and each individual director. The Board is working towards implementing a formal performance review and appraisal process, and will disclose this process when it is established.</p>	<p>Not compliant.</p> <p>The Chairperson remains responsible for reviewing the performance of the Board and individual directors on an ongoing basis.</p> <p>Given the Board is small and stable, and there is no formal division between the Board and senior management, the Board finds that ongoing informal performance review by the Chairperson is an efficient approach, which fosters the constructive and nurturing environment that allows the Board to operate to its full potential.</p> <p>The Company will, in each reporting period, disclose whether performance evaluation was undertaken for every Board member during the reporting period.</p>
1.7	<p>A listed entity should:</p> <ol style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<p>Not compliant.</p> <p>The performance of senior executives is reviewed by the Board. The Company is working towards implementing a formal performance review and appraisal process, and will disclose this process when it is established.</p>	<p>Not compliant.</p> <p>As described for the previous recommendation, since there is no formal division between the Board and senior management, the Chairperson is responsible for reviewing the performance of senior executives on an ongoing basis.</p> <p>The Company will, in each reporting period, disclose whether performance evaluation was undertaken for every member of senior management during the reporting period.</p>

Principle 2 – Structure the board to add value

2.1	<p>The board of a listed entity should:</p> <ol style="list-style-type: none"> (a) have a nomination committee which: <ol style="list-style-type: none"> (1) has at least three 	<p>Not compliant.</p> <p>Given the Board is small, a nomination committee is unnecessary and would</p>	<p>Not compliant.</p> <p>The Board has a Nomination Committee, and the Nomination Committee Charter has been published</p>
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Recommendation	Status at 30 September 2015	Status at 28 January 2016
<p>members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>not be practical.</p> <p>The Board is responsible for reviewing membership, nominating directors and planning for succession on a continuous basis. The Company finds this collaborative approach to be an appropriate method of nominating new Board members.</p> <p>The main criteria for appointment are expertise, experience and qualifications.</p>	<p>on the Company's website.</p> <p>Given the composition of the Board, with:</p> <ul style="list-style-type: none"> only one independent non-executive director; and Board members holding the senior management positions, <p>it is not possible for the Nomination Committee to have a majority of independent directors.</p> <p>The Board will disclose the members of the committee at each reporting period, as well as the number of times the committee met during a reporting period and each committee member's attendance record.</p> <p>A committee member will not participate in discussions about his own remuneration or nomination.</p>
<p>2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>Not compliant.</p> <p>While the Company has not disclosed a skills matrix, set out in the 2015 Annual Report are summaries of each director's experience, expertise, positions held and attendance record at meetings.</p>	<p>Not compliant.</p> <p>While the Board has not disclosed a formal skills matrix, it will disclose henceforth for each reporting period a summary of each director's experience, expertise and qualifications.</p>
<p>2.3 A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>Not compliant.</p> <p>The Company provides the names of all directors, as well as a summary of their positions and prior experience. This is readily available to shareholders on pages 4 and 5 of the 2015 Annual Report and on the Company's website. However, the Company has not disclosed the length of service of each director, or which directors are independent.</p>	<p>Not compliant.</p> <p>To date, the Board has had the practice of disclosing some of the information identified by this recommendation, but not the length of service of each director, or any position, association or relationship of the type described in the ASX Recommendations.</p> <p>The Board notes this recommendation and intends to make this disclosure in the 2016 reporting period.</p>
<p>2.4 A majority of the board of a listed entity should be independent directors.</p>	<p>Not compliant.</p> <p>The size of the Company means that expanding the Board to comply with this recommendation would incur unreasonable cost, not matched by</p>	<p>Not compliant.</p> <p>The size of the Company means that expanding the Board to comply with this recommendation would incur unreasonable cost, not matched by</p>

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	increased value to the Company.	increased value to the Company. The Board is of the opinion that having a majority of non-independent directors does not compromise the fair or efficient operation of the Board.
2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Not compliant. The current Chairman has chaired the Board since 2001, has been instrumental in changing the strategic direction of the Company and has in-depth knowledge of the Company's business. Given the size of the Company, it would be difficult to attract an independent Chairman who could match the current Chairman's calibre and experience.	Not compliant. For the reasons described, the Board is of the opinion that the current Chairman, who is not independent, is the best candidate for the position.
2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Not compliant. The Board, being small, takes responsibility as a whole for inducting new directors and ensuring opportunities for ongoing professional development. The Company finds this collaborative approach to be the most effective in a small team, as it fosters a constructive and supportive environment.	Compliant. In accordance with the Board's revised Nomination and Remuneration Committee Charter, this committee is responsible for the induction and continuing professional development of directors. The revised in the Nomination and Remuneration Committee Charter is available on the Company's website.

Principle 3 – Act ethically and responsibly

3.1 A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	Compliant. A summary of the Company's Code of Conduct is included in the 2015 Annual Report. The full text of the Code of Conduct is available on the Company's website.	Compliant. The Board has updated its Code of Conduct. The revised, comprehensive Code of Conduct has been published on the Company's website.
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Principle 4 – Safeguard integrity in corporate reporting

4.1 The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period,	Not compliant. The Company does have an Audit Committee, and the charter of the committee is available on the Company's website. The charter discloses the skills and/or qualifications necessary in its members. The 2015 Annual Report records the number of times the audit committee met during the reporting period, and each committee member's attendance record. The current Board members were carefully chosen based on their expertise and experience in the specialised markets in which the Company operates. This, combined with the fact that a larger Board would not be appropriate given the size of the Company, means that it is not feasible for a majority of the audit committee to be independent directors.	Not compliant. The Board has revised the Audit, Risk and Compliance Committee charter, which is published on the Company's website. As explained in relation to other similar recommendations concerning the composition of Board committees, it is not possible for the Audit and Risk Compliance Committee to have a majority of independent directors. The Committee is currently chaired by an independent, non-executive director, selected for his expertise in accounts and financial reporting and for the role he otherwise performs within the Company. The Company will continue to disclose, as has been its practice, the relevant qualifications and experience of each committee member, the number of times the committee has met during each reporting period and each committee member's attendance record.
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	the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR		
(b)	if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.		
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Compliant. This declaration is contained in the Statement, and also at page 81 of the 2015 Annual Report.	Compliant. The Board Charter now records a written commitment to continue to comply with this recommendation. The Board Charter does note that the Company may not at a given time have a CEO and/or a CFO. Should this be the case, the company secretary and such other executive director as may be appropriate based on their role within the Company, will provide this declaration instead.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Compliant. The Statement states that the external auditor will be at the Company's AGM and available to answer shareholders' questions about the audit.	Compliant. A commitment to continue to comply with this recommendation is recorded in the Audit, Risk and Compliance Committee Charter.

Principle 5 – Make timely and balanced disclosure

5.1	A listed entity should:	Compliant.	Compliant.
(a)	have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and	A summary of this policy is provided in the Statement, and the complete policy is published on the Company's website.	The Board's Continuous Disclosure Policy has been revised and can be found on the Company's website.
(b)	disclose that policy or a summary of it.		

Principle 6 – Respect the rights of shareholders

6.1	A listed entity should provide information about itself and its governance to investors via its website.	Compliant. The Company's website has an area dedicated to investors. Available from this area are the Company's ASX announcements, annual reports, and information about the Company's corporate governance generally. One page provides information about directors, and another provides contact details for the Company's share registry. There is also a page with links to the Company's charters and policies.	Compliant. No update.
6.2	A listed entity should design and implement an investor relations program to	Compliant. The Company's Communications and	Compliant. The Board's updated Shareholder

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facilitate effective two-way communication with investors.	Disclosure policy states that the Secretary is responsible for shareholder communications generally.	Communication Policy outlines the referral process for any queries an investor may have, and other methods of ensuring effective communication with investors.
6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>Not compliant.</p> <p>As the Company Secretary is responsible for shareholder communications, the Company does not consider it necessary to have formal policies and processes encouraging shareholder participation at meetings.</p> <p>Meetings are conducted in a way designed to naturally encourage shareholder participation.</p>	<p>Compliant.</p> <p>The revised Communications and Disclosure Policy encourages investors to actively participate at meetings. It outlines various ways in which the Company will maintain open and effective lines of communication with shareholders.</p> <p>Further, as is already the Company's practice, meetings are conducted in a way designed to naturally encourage shareholder participation.</p>
6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<p>Not compliant.</p> <p>The Company provides contact details for their share registry on the Company website. This includes telephone contact details and a postal address, but not an email address.</p> <p>However, the website makes it clear that shareholders may use log in details to access additional information from the security registry website.</p> <p>An email address is provided for the Company itself.</p>	<p>Not compliant.</p> <p>No update.</p>

Principle 7 – Recognise and manage risk

<p>7.1 The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it</p>	<p>Not compliant.</p> <p>The Company's Audit Committee is responsible for, among other things, overseeing risk and monitoring compliance with the ASX Listing Rules and the Corporations Act.</p> <p>The composition of the Audit Committee is not compliant with this recommendation, for reasons explained at 2.1 and 4.1, above.</p>	<p>Not compliant.</p> <p>This function is performed by the Audit, Risk and Compliance Committee.</p> <p>See 2.1 and 4.1, above, for information about:</p> <ul style="list-style-type: none"> the Board's commitment to disclose the information identified in this recommendation; and the Board's inability to comply with the recommendations about the composition of the Audit, Risk and Compliance Committee, based on the composition of the Board.
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employs for overseeing the entity's risk management framework.		
<p>7.2 The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>Not compliant.</p> <p>The Company has a Risk Management Policy, which is published on the Company's website.</p> <p>The 2015 Annual Report didn't disclose whether the framework was reviewed in line with the policy during the reporting period.</p> <p>The Board will review the Company's risk management framework in the coming reporting period and disclose that the review took place.</p>	<p>Compliant.</p> <p>The updated Audit, Risk and Compliance Committee Charter states that the Audit, Risk and Compliance Committee is responsible for reviewing the Board and management's system of risk management and internal control at least annually.</p> <p>The Board will henceforth disclose, in relation to each reporting period, whether such a review has taken place.</p>
<p>7.3 A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; OR</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>Compliant.</p> <p>This information is contained in the Audit Committee Charter, published on the Company's website and summarised in the 2015 Annual Report.</p>	<p>Compliant.</p> <p>This information is contained in the revised Audit, Risk and Compliance Committee Charter, published on the Company's website.</p>
<p>7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Compliant.</p> <p>The Board's role as described includes managing all risks and disclosing any information that may have a material effect on the price or value of the Company's securities.</p>	<p>Compliant.</p> <p>The revised Code of Conduct requires the Board to consider environmental and social sustainability risks and formulate a plan to respond to any risks.</p>

Principle 8 – Remunerate fairly and responsibly

<p>8.1 The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR</p>	<p>Not compliant.</p> <p>The Board does have a Remuneration Committee, and the charter of the Committee is published on the Company's website. The 2015 Annual Report summarises the role of the Committee, and states the number of meetings the Committee held during the reporting period and the attendance record of each committee member.</p> <p>For the reasons at 2.1 and 4.1 above, it is not feasible for the Company to have a Board committee with a majority independent directors.</p>	<p>Not compliant.</p> <p>This function is performed by the Nomination and Remuneration Committee, in accordance with the revised Nomination and Remuneration Committee Charter.</p> <p>As with the Audit, Risk and Compliance Committee, the current composition of the Board means it is not possible for the Company to comply with the committee composition aspects of this recommendation.</p> <p>This is explained at 2.1 and 4.1, above.</p> <p>However, the Company has disclosed the Charter, and will disclose the members of the committee, number of times the committee met and attendance record of each committee member in its future periodic disclosure.</p>
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Recommendation	Status at 30 September 2015	Status at 28 January 2016
(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.		
8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Compliant. This information is provided on page 6 of the 2015 Annual Report.	Compliant. This information was provided in the 2015 Annual Report, and will also be disclosed in future periodic reports.
8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Compliant. The Company has a Share Trading Policy, the full text of which is available on the Company's website. A summary of the policy is in the Statement.	Compliant. The revised, comprehensive Securities Trading Policy has been published on the Company's website and addresses the issues outlined in part (a) of this recommendation.