



**SEALASKA CORPORATION  
AUDIT & CORPORATE GOVERNANCE COMMITTEE  
CHARTER**

- I. **Committee Structure:** The committee will have six board members, a majority of whom must be independent, non-executive board members. Committee members are encouraged to participate in continuing education so that they have (1) knowledge of the primary industries in which the company operates; (2) the ability to read and understand fundamental financial statements, including the company's balance sheet, income statement, statement of cash flow, and key performance indicators; and (3) the ability to understand key business and financial risk, and related controls and control processes. The committee shall have access to its own counsel and other advisors at the committee's sole discretion.

Committee appointments shall be approved every two years by the full Board upon recommendation by the Committee on Committees. The committee members shall select the committee chair annually by a vote of the members.

II. **Purpose and Operating Principles:**

- A. The Audit & Corporate Governance Committee will assist the Board of Directors in fulfilling its oversight responsibilities. The committee will review the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and with the code of conduct. The audit committee's role includes a particular focus on the qualitative aspects of financial reporting to shareholders and on company processes for the management of business/financial risk.
- B. The role also includes maintenance of strong, positive working relationships with management, external auditors, counsel and other committee advisors.
- C. The audit committee also monitors the performance and directs the administration of plan benefits for the Sealaska Corporation 401(k) plan and the Directors' Deferred Compensation Plan. The committee shall review plans on an annual basis.
- D. The committee will recommend appointments to the Elders' Settlement Trust Board of Trustees.
- E. The committee shall fulfill its responsibilities following these operating principles:
1. The committee and management shall act in compliance with state and federal laws and regulations. Although not required to follow the Securities & Exchange Commissions regulations, they do so where it does not conflict with state law.
  2. Communications—The Chair and committee members shall, as appropriate, communicate throughout the year with management, other committee chairs, advisors, and external auditors to strengthen the committee's knowledge of relevant current and prospective business issues.

3. Need for confidentiality—committee members respect the confidentiality of the materials and other information presented to the committee.
4. Committee Education/Orientation—The committee, with management, shall develop a process for review of important financial and operating topics that present potential significant risk to the company. Committee members are encouraged to participate in relevant and appropriate continuing education to assure understanding of the business/environment in which the company operates.
5. Annual Plan—The committee, with input from management and committee advisors, shall develop an annual plan responsive to the primary committee responsibilities. The annual plan shall be reviewed/approved by the full board.
6. Meeting Agenda—Committee meeting agendas shall be the responsibility of the committee Chair with input from committee members and management. The Chair will ask for management and key committee advisors to participate in the process to ensure their availability and input.
7. Committee Expectations and Information—the committee shall communicate expectations and information needs to management and advisors. Written materials, including key performance indicators and measures related to key business and financial risks, shall be received from management and others one week in advance of the meeting. It will be assumed members have reviewed written materials in order to participate in depth in committee/Board dialogue.
8. External Resources—The committee shall be authorized to access internal and external resources, as the committee requires, to carry out its responsibilities.
9. Committee Meeting Attendees—The committee requests management, counsel, and external auditors to participate in committee meetings, as needed, to carry out committee responsibilities. Periodically, and at least annually, the committee shall meet in executive session with only the members and with the external auditors who may also, at any time, request a meeting with the audit committee or committee Chair with or without management attendance.
10. Reporting to the Board of Directors—The committee, through its chair, shall report to the Board of Directors following its committee meetings. In addition, committee minutes shall be made available to the full Board. Further there shall be quarterly reporting on earnings, through the Audit Committee, to the Board of Directors with independent review by the auditor based upon their requirements for the annual audit.
11. Committee Self-Assessment—The committee shall review, discuss, and assess its own performance as well as the committee role and responsibilities, seeking input from senior management, the full Board, and others. Changes in role and responsibilities, if any, shall be recommended to the full Board for approval annually.

### III. **Governance:**

#### A. Reporting to Shareholders:

1. The committee shall annually provide a summary report on the scope of its activities to shareholders in the proxy statement that includes a reporting of auditors' fees for both audit and non-audit services.

B. Committee's Relationship with External Auditors:

1. The external auditors, in their capacity as independent public accountants, shall be responsible to the Board of Directors and the committee as representatives of the shareholders. As they review financial reports, the external auditors will be reporting to the audit committee all relevant issues responsive to agreed-on audit committee expectations. The committee shall recommend to the board of directors the appointment or discharge of the external auditors.
2. The committee shall review the performance (effectiveness, objectivity, and independence) of the external auditors. The committee shall ensure receipt of a formal written statement addressing independence matters from the external auditors consistent with standards set by the Independence Standards Board. Additionally, the committee shall discuss with the auditor relationships or services (including a review of fees paid to the auditor and whether paying any fees for non-audit service is compatible with maintaining the auditors' independence) that may affect auditors' objectivity or independence. If the committee is not satisfied with the auditors' assurances of independence, it shall take or recommend to the full Board appropriate action to ensure the independence of the external auditor.
3. If the external auditors identify significant issues relative to the overall board responsibility that have been communicated to management but, in their judgment, have not been adequately addressed, they should communicate these issues to the committee Chair.

C. Primary Committee Responsibilities: Monitor Financial Reporting and Risk Control Related Matters - The committee should review and assess:

1. Risk Management—The company's business risk management process, including the adequacy of the company's overall control environment and controls in selected areas representing significant financial and business risk including asking management and the external auditors about significant risks and exposures and the plans to minimize such risks.
2. Quarterly Reviews of Earnings, Annual Reports and other Major Regulatory Filings—All major financial reports in advance of filings or distributions.
  - a. Complex and/or unusual transactions such as restructuring charges and derivative disclosures.
  - b. Judgmental areas such as those involving valuation of assets and liabilities including for example, the accounting for and disclosure of obsolete or slow-moving inventory, loan losses; warranty, product, and environmental liability; litigation reserves; and other commitments and contingencies.
  - c. Management's handling of proposed audit adjustments identified by the external auditors; ensure that the external auditors communicate certain required matters to the committee.
3. Internal Controls and Regulatory Compliance—The company's system of internal controls for detecting accounting and reporting financial errors, fraud and defalcations, legal violations, and noncompliance with the corporate code of conduct.

4. Computer Systems—The extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a systems breakdown.
5. Regulatory Examinations—The results of examinations by other regulatory authorities in terms of important findings, recommendations, and management’s response.
6. External Audit Responsibilities—Auditor independence and the overall scope and focus of the annual audit, including the scope and level of involvement with other interim-period information.
7. Financial Reporting and Controls—Key financial statement issues and risks, their impact or potential effect on reported financial information, the processes used by management to address such matters, related auditor views, and the basis for audit conclusions. Important conclusions on year-end audit work in advance of the public release of financials.
8. Auditor Recommendations—Important external auditor recommendations on financial reporting, controls, other matters, and management’s response; and the views of management and auditors on the overall quality of annual financial reporting.
9. Section 7(i) Management—Meet annually with management to evaluate the Corporate 7(i) policies to ensure compliance with the 7(i) Agreement. Recommend changes to the policy as necessary. Establish 7(i) policy, monitor Sealaska’s relationships with other regions and review management’s recommendations for Section 7(i) amendments, interpretations and program implementation. Inform the full Board of 7(i) policy issues. After review with management, advance any recommendations regarding 7(i) issues to the Board.
10. The committee should review, assess and approve:
  - a. Audit Committee Annual Plan.
  - b. Appointment and ratification of external auditors.
  - c. Policies and procedures in effect for considering officers’ and directors’ expenses and perquisites.
  - d. The code of ethical conduct.
  - e. Changes in important accounting principles and the application in annual financial reports.
  - f. Conflicts of interest and related-party transactions.

IV. **Meeting Frequency & Participants:** The committee shall meet at least quarterly with additional meetings scheduled as necessary. In addition to the committee, other participants usually include the external auditors, counsel and management, usually represented by the president/chief executive officer, chief financial officer and controller.