

**Alaska Communications Systems Group, Inc.**  
**Corporate Governance Principles and Guidelines**

**1. Role of Board and Management**

The business of Alaska Communications Systems Group, Inc. (the “Company”) is conducted by its employees, managers and officers, under the direction of the Chief Executive Officer (the “CEO”) together with the oversight of the Board of Directors (the “Board,” and each individual member, a “Director”). The mission of the CEO and Board is to enhance the long-term value of the Company for the benefit of its shareholders. The Board is elected by the shareholders to oversee management and to ensure that the long-term interests of the Company’s shareholders are being served.

**2. Role of Corporate Secretary**

The Corporate Secretary (the “Secretary”) shall be responsible for keeping full and complete records of the proceedings of the Board and its committees. The Secretary shall perform all other duties as may from time to time be assigned to him or her by the Board or committees. The Secretary is also responsible for new director orientation.

**3. Functions of Board**

The Board will have at least four scheduled meetings annually which will focus on: (1) the Company’s annual budget; (2) the Company’s annual meeting; (3) the Company’s strategic forecast; (4) the Company’s operating and financial performance, and (5) such other matters as may be requested by the CEO, the Board, or its chair (the “Board Chairperson”). The Board may hold additional meetings on these and other topics as scheduled throughout the year. All directors are expected to attend in person the four scheduled Board meetings annually. Only under special circumstances should the directors attend less than seventy-five percent of full board meetings in person and may, for the remainder, attend telephonically or via live webcast. Where possible, committee meetings and executive sessions will be scheduled to coincide with the full Board meetings. In addition to its general oversight of management, the Board also performs a number of specific functions, including:

- a. Selecting, evaluating and determining the compensation of the CEO and overseeing CEO and senior executive succession planning;
- b. Providing counsel and oversight on and, where appropriate, review and approval of the selection, evaluation, development and compensation of senior management;
- c. Reviewing, monitoring, and engaging constructively in and, where appropriate, approving fundamental financial and business strategies and major corporate actions not in the ordinary course of business; and, without limiting the foregoing, should any transaction(s) cause the cessation of the Company, in whole or part, or the sale of substantially all of its assets, the full Board must approve such transaction(s);
- d. Overseeing the Company’s management of risk, the options to mitigate such risks, and the Company’s overall approach to risk;
- e. Nominating directors, appointing committee members and shaping effective corporate governance;
- f. Ensuring that procedures are in place to maintain the integrity of the Company and its financial statements, including major changes in the auditing and accounting principles and practices underlying such financial statements, ensuring the adequacy of the Company’s internal controls, compliance with all applicable Federal and State laws, ethics and the Company’s relationships with its customers, suppliers and other

shareholders, and

- g. Such other matters as are required by law, the Company's governance documents, and resolutions adopted by the Board.

#### **4. Director Qualifications**

Directors must meet the minimum qualification specified in the By-Laws. Directors shall also possess the highest personal and professional ethics, integrity and values and be committed to representing the long-term interests of the shareholders. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment. We endeavor to have a Board representing diverse experience at policy-making levels in business. Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and shall be committed to serve on the Board for an extended period of time.

The Board does not believe that arbitrary term limits on Directors' service are appropriate, nor does it believe that Directors should expect to be re-nominated annually. Similarly, while there is no absolute rule instituted by the Company, Directors serving on more than three other boards may not have sufficient time to carry out their duties and are generally encouraged to serve on no more than three other boards. Changes in a Director's circumstances, such as employment or the number of boards that director is serving on, in addition to the Company's Board, as well as the Board's self-evaluation process described below, are important factors in determining Board tenure.

#### **5. Independence of Directors**

A majority of the Directors on the Board will be independent Directors. The nominating and corporate governance committee of the Board is responsible for making a preliminary determination of Director independence and will report its recommendations to the full Board. Based on these recommendations, the Board will make the final determination on independence and publicly disclose this determination for each Director when the director is first nominated or elected to the Board and annually thereafter for all nominees for election as Directors.

For a Director to be considered "Independent," the Board must determine that: (i) the Director does not have any direct or indirect material relationship with the Company that could interfere with such Director's judgment, and (ii) the Director's business background and other qualifications comply with the definitions of independence promulgated by the Securities and Exchange Commission (the "SEC"), The Nasdaq Stock Market, any other applicable regulatory agencies as well as any additional requirements for independence that the full Board or nominating and corporate governance committee may enact.

#### **6. Size of Board and Selection Process**

The Board believes that, given the size and breadth of the Company and the need for diversity of board views, the size of the Board should be up to ten directors. The Directors are elected each year by the Company's shareholders at the annual meeting of shareholders. Shareholders may propose nominees for consideration by the nominating and corporate governance committee by submitting the names and supporting information in accordance with the requirements of the By-Laws. The Board will propose a slate of nominees to the shareholders for election to the Board. The Board will also determine the exact number of Directors on the Board in accordance with the Company's Bylaws. Between annual shareholder meetings, the Board may elect Directors to fill vacancies until the next annual meeting.

#### **7. Board Committees**

The Board has established the following standing committees to assist the Board in discharging its responsibilities: (i) audit; (ii) compensation and personnel; (iii) nominating and

corporate governance; and (iv) strategic opportunities. Each of these committees will review and revise, as appropriate, its charter which shall describe the key principles and practices of the committee. A recommendation by a committee to revise its charter shall require Board approval to be effective. The current charters of the committees are published on the Company's website, and will be mailed to shareholders on written request to the Company's Secretary. Committee chairpersons shall provide summary reports of their Committee meetings to the full Board at its next regularly scheduled meeting. Committees shall act in accordance with their charters or the by-laws or recommend actions for the full Board. The Secretary of the Company shall be the secretary for each committee. All committees report regularly to the full Board of Directors with respect to their activities. The chairperson of each committee, in consultation with other directors and management as appropriate, determines the frequency, length and agenda of the committee's meetings. Materials related to agenda items are provided to committee members sufficiently in advance of meetings to allow the members to review and prepare for discussion of the items at the meeting.

The Board may, by resolution, establish other committees from time to time.

#### **8. Independence of Committee Members**

The membership of the committees set forth above in Section 7 will be made up exclusively of Independent Directors who must meet any applicable heightened independence criteria established under statute, regulation, or NASDAQ rule. Any Director, however, is always permitted to attend any committee meeting not in executive session.

#### **9. Setting Board Agenda**

The Board shall be responsible for its agenda. At the final Board meeting of each calendar year, the CEO will propose, for the Board's approval, key issues regarding strategy, risk, budget and integrity to be scheduled for discussion during the course of the next calendar year. Before that meeting, the full Board will be invited to offer its suggestions of key topics. As a result of this process, a schedule of major discussion items for the following year will be established. Directors are urged to make suggestions to the Board Chairperson or any committee chairperson for agenda items, or additional pre-meeting materials. The Board Chairperson shall make every effort to circulate an agenda and any supporting materials one week prior to any meeting of the Board.

#### **10. Ethics and Conflicts of Interest**

The Board expects all Directors, officers and employees of the Company to act ethically at all times and to acknowledge their adherence to the policies comprising the Company's code of conduct. The Company will not make any personal loans or extensions of credit to Directors or executive officers, other than services offered to the general public. No Independent Director may provide personal services for compensation to the Company other than in connection with serving as a Director without explicit approval by the disinterested members of the Board. All Directors shall abide by the Company's insider trading policy, avoid any breach of confidential company information, and avoid any personal misuse of Company assets. Additionally, each Director shall hold all communications relating to the deliberations of the Board and its members confidential to the maximum extent allowed by law. If an actual or potential conflict of interest arises for a Director, the Director shall promptly inform the Board chair or, the Vice Chair (if one has been appointed and the Chair is unavailable for any reason). All Directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests, and where appropriate, directors shall abstain from voting on matters pertaining thereto. The Board shall resolve any conflict of interest question involving the CEO or a senior vice president, and the CEO shall resolve any conflict of interest issue involving any other officer of the Company.

**11. The nominating and corporate governance committee shall establish and review the Company's ethics, corporate compliance, and corporate governance policies including establishing and reviewing an insider trading policy, related party transactions, and an annual securities trading blackout calendar.**

**a. Related Party Transactions**

The Audit Committee will review and, if appropriate, approve or ratify any related party transactions. The Audit Committee will only approve or ratify such a transaction if it determines that the transaction is on terms and conditions that are reasonable under the circumstances and in the best interests of the shareholders. Both the Audit Committee and the Nominating and Corporate Governance Committee will review such transactions as standard agenda items when they meet.

In reviewing related party transactions, the Board will follow SEC guidelines which define a "related party transaction" as one in which the Company participates and that, individually or taken together with related transactions, exceeds, or is reasonably likely to exceed, \$120,000 in amount in any year and in which any of the following individuals (a "covered person") has a direct or indirect material interest:

- a. any director or executive officer;
- b. any nominee for election as a director;
- c. any security holder who is known by the Company to own of record or beneficially more than five percent (5%) of any class of the Company's securities; or
- d. any immediate family member of any of the foregoing persons, including any child; stepchild; parent; stepparent; spouse; sibling; mother-, father-, son-, daughter-, brother-, or sister-in-law; and any person (other than a tenant or employee) sharing the same household.

A material interest does not exist when a covered person's interest in the transaction results from: (a) the covered person's (together with his immediate family's) direct or indirect ownership of less than a ten percent economic interest in the other party to the transaction, and/or the covered person's service as a director of the other party to the transaction, or (b) the covered person's pro rata participation in a benefit received by him solely as a security holder.

A transaction is deemed to involve the Company if it involves one of the Company's vendors or partners or any of the Company's subsidiaries and relates to the business relationship between the Company and that vendor or partner.

**12. Reporting of Concerns to Independent Directors or the Audit Committee**

The audit committee and the Independent Directors have established procedures to enable any director, employee, contractor or consultant who has a concern about the Company's conduct, including the Company's significant accounting policies and practices, internal controls over financial reporting, disclosure controls and procedures or other auditing or disclosure matters, to communicate that concern directly to the audit committee or the Company's general counsel. Such communications may be anonymous, and may be e-mailed or reported by phone to special addresses or a toll-free phone number to be made available on the Company's intranet website and to be circulated to all employees of the Company. All such communications shall be reviewed by members of the audit committee and/or the Company's general counsel in accordance with established Company policy.

The status of all outstanding concerns will be reported to the chair of the audit committee on a quarterly basis. The audit committee chair may direct that certain matters be presented to the audit committee or the full Board and may direct special treatment to remedy these matters,

including the retention of outside advisors or counsel. The Company's policy prohibits any employee from retaliating or taking any adverse action against anyone who raises or helps to resolve an integrity concern.

### **13. Compensation of the Board**

The compensation and personnel committee shall have responsibility for recommending to the Board compensation and benefits for non-employee Directors as well as any Company stock ownership policies. In discharging this duty, the compensation and personnel committee shall be guided by three goals: (i) compensation should fairly pay Directors for work required in a Company of this size and scope, (ii) compensation should align Directors' interests with the long-term interests of shareholders, and (iii) the structure of the compensation should be simple, transparent and easy for shareholders to understand. The compensation and personnel committee shall review non-employee Director compensation and benefits no less than once every two years.

The compensation and personnel committee annually reviews the compensation of directors. Director compensation is set by the Board of Directors based upon the recommendation of the committee. Non-management Directors may receive a combination of cash and equity compensation for service on the Board of Directors. Management Directors do not receive additional compensation for service on the Board of Directors. The Company encourages each Director to maintain a stock ownership investment in the Company equal to one times the estimated cash compensation received by each such Director for the first full year of service on the Board of Directors. The Board recognizes that a new Director may not be able to accumulate this investment immediately and recommends that the ownership position be established gradually over the first three years of service on the Board. Additionally, due to fluctuation in stock price, once a Director has met this investment standard, he/she shall be presumed to be in compliance with this Policy so long as he/she holds the lowest number of shares held while actually in compliance. In essence, subsequent increases in the Company's stock price or increases in Director cash compensation shall not require further stock purchases by the Director.

### **14. Succession Plan**

The Board of Directors reviews succession plans for the position of CEO as well as certain other senior management positions. The CEO reports to the Board of Directors periodically on succession planning and management development and provides the Board with recommendations of potential successors. The CEO also makes available to the Board of Directors, on a continuing basis, recommendations regarding who should assume the position of CEO in the event that he or she becomes unable or unwilling to perform the duties of this position. The compensation and personnel committee shall recommend, and the full Board shall approve and maintain a succession plan for the CEO and senior executives of the Company.

### **15. Annual Compensation Review of Senior Management**

The compensation and personnel committee shall annually approve the goals and objectives for the Company's CEO. Where possible, the compensation and personnel committee shall evaluate the CEO's performance in light of these goals before setting the CEO's salary, bonus and other incentive and equity compensation. The compensation and personnel committee shall also annually approve the compensation structure for the Company's executive officers. The committee shall review from time to time regulations promulgated by the SEC and other regulatory authorities related to executive compensation. The committee shall prepare any required or appropriate written discussion and analysis of material compensatory considerations with respect to the "named executive officers" (as defined in SEC regulations) of the Company and/or any other officers of the Company it may deem its discretion to be required or appropriate.

The Company shall include such discussion and analysis in a report filed with the SEC, in accordance with applicable laws and regulations.

**16. Access to Senior Management**

Non-employee Directors are encouraged to contact and make inquiries of the Company's management team.

**17. Access to Independent Advisors**

The Board and its committees shall have the right at any time to retain independent outside auditors and financial, legal or other advisors, and the Company shall provide appropriate funding, as determined by the Board, to compensate such independent outside auditors or advisors, as well as to cover the ordinary administrative expenses incurred by the Board and its committees in carrying out their duties.

**18. Director Education**

The nominating and corporate governance committee shall review and the Secretary shall provide orientation for new directors. The nominating and corporate government committee shall review and recommend to the full Board appropriate policies for director continuing education on subjects that will assist them in discharging their duties. Appropriate topics for director continuing education include regular updates on the Company's financial planning and analysis, compliance and corporate governance developments, best practices employed by other companies, and briefing sessions on topics that present special risks and opportunities for the Company. The Board of Directors also encourages each director to participate in educational programs to be reimbursed as defined in the independent directors' reimbursement and travel policy.

**19. Selection and Composition of the Board**

- a. **Board Membership Criteria.** The nominating and corporate governance committee is responsible for reviewing with the Board, on an annual basis, the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. In assessing potential new directors, the Committee considers individuals from various disciplines and diverse backgrounds. The selection of qualified Directors is complex and crucial to the Company's long-term success.

Board candidates are considered based upon various criteria, such as their broad-based business skills and experiences, concern for the long-term interests of the shareholders, and personal integrity and judgment -- all in the context of an assessment of the perceived needs of the Board at that point in time. Specifically, Directors shall bring prior management or leadership experience, proficiency in management, accounting, finance, marketing or technology, strategic planning or other discipline that contributes to the long-term interests of the shareholders. In addition, Directors must have significant time available to devote to Board activities and to enhance their knowledge of the telecommunications industry.

- b. **Selection of New Directors.** The Board itself shall be responsible, in fact as well as procedure, for selecting its own members and in recommending them for election by the shareholders. The Board has delegated the screening process involved to the nominating and corporate governance committee with direct input from the Board Chairperson and the CEO.
- c. **Extending the Invitation to a Potential Director to Join the Board.** The invitation to join the Board shall be extended by the Board itself via the Board Chairperson.

**20. Stockholder Nominations and Proposals.**

- a. **Submission To The Company.** All stockholder nominations and proposals shall be required to be submitted in accordance with the requirements of the By-Laws.
- b. **Evaluation Of Stockholder Nominations and Proposals.** The nominating and corporate governance committee shall evaluate all duly made stockholder director nominations and proposals. Any such evaluations shall be submitted to the full board of directors and, if approved (and if found to be in compliance with applicable By-Law requirements), included in the Company's annual proxy statement.

**21. Board Leadership**

- a. **Board Chairperson.** The Board Chairperson will be elected by the Board (i) at the meeting following the annual shareholder meeting or (ii) promptly upon any vacancy in that position during the course of the year. The Board believes it is in the best interests the Company's shareholders to separate the role of Board Chairperson and CEO. The Board Chairperson's duties include:
  - i) Approving the agenda for the Board of Directors' meetings;
  - ii) Serving as chair at meetings of the Board of Directors, its Executive Committee, and executive sessions of its independent directors, and, as appropriate, calling special meetings of any of the above;
  - iii) Working with the CEO to make sure board resolutions are carried out;
  - iv) Advising the CEO as to the quality, quantity and timeliness of the information submitted by the Company's management that is necessary or appropriate for the independent directors to effectively and responsibly perform their duties;
  - v) Approving the retention of advisers and consultants who report directly to the Board of Directors;
  - vi) Serving as principal liaison between the independent directors and management on sensitive issues;
  - vii) Recommend to the Board, the compositions and chairs of the board's committee;
  - viii) Coordinating the CEO's annual performance evaluation;
  - ix) Oversees succession planning for the CEO;
  - x) Working with the governance committee to recruit new Board members;
  - xi) Where appropriate, acting as an alternate spokesperson for the Company; and
  - xii) Periodically consulting with board members on their roles and helping them assess their performance.
- b. **Vice-Chair.** The Board may elect a vice-chair to serve as chair in the absence of the Chairperson and to perform other duties assigned by the Board. A vice chair shall serve for the term specified by the Board, provided that the term shall be no longer than thirteen month unless re-elected.
- c. **Executive Sessions of Independent Directors.** The Independent Directors of the Board will meet in executive session no less than three times each year. At these sessions the Independent Directors will, among other topics review: (i) CEO succession, performance and compensation; (ii) strategic issues for Board

consideration; (iii) future Board agendas and the flow of information to Directors; (iv) management progression and succession; (v) any issues of concern to the Independent Directors and (iv) the Board's corporate governance guidelines. The Independent directors shall advise the other directors and the CEO of decisions reached, and suggestions made, at these sessions. The format will also include a discussion with the CEO on each occasion.

- d. **Audit Committee Chair.** The Board will generally rotate the role of Audit Committee Chair at least once every five years. However, should the Board determine that existing circumstances would cause such rotation to be undesirable, it may reappoint the then acting Audit Committee Chair for subsequent one-year terms. The Board should schedule rotations so that the Audit Committee Chair does not rotate during any fiscal year or subsequent year during which: (i) the Company changes its independent registered public accounting firm ("Independent Auditor"), or (ii) the Independent Auditor assigns a different audit partner primary responsibility for the Company's audit.

## 22. Board Composition and Performance

- a. **Retirement Age.** The Board has no policy on mandatory retirement for directors.
- b. **Assessing the Board's Performance.** The Board shall perform a self-evaluation on an annual basis. The nominating and corporate governance committee is **responsible** to recommend to the Board evaluation tools and processes, prepare an evaluation schedule, and compile and summarize for the Board the results of the evaluation. The Committee will usually review the evaluation at its December or January meeting and discuss its findings with the full Board during the next regular meeting of the Board. The assessment will include a review of the Board's overall effectiveness and the areas in which the Board or management believes the Board contributes to the success of the Company. The purpose of the evaluation is to increase the effectiveness of the Board. The nominating and corporate governance committee will also utilize the results of this evaluation process in determining the characteristics and assessing critical skills required of prospective candidates for election to the Board and making recommendations to the Board with respect to assignments of Board members to various committees.
- c. **Committee Performance Evaluation.** Each Board committee will perform an annual evaluation of its performance, including a review of its compliance with its committee charter. The purpose of such review is to increase the effectiveness of the committee.
- d. **Frequency and Length of Committee Meetings.** Each Committee Chair, in consultation with committee members, will determine the frequency and length of the meetings of their Committee.
- e. **Committee Agenda.** The Chair of each Committee, in consultation with the appropriate members of the Committee and management, will develop the Committee's agenda.

## 23. Changed Director Circumstances. If a Director

- a. becomes a party to any agreement, understanding, or conflict of interest, that could interfere, or create the impression that it could interfere, with the fiduciary duty owed by the Director to the Company, including one with respect to how the Director might act or vote on any issue or question that may come before the Board, or

- b. has a change of circumstances that impairs the Director's ability to discharge the Director's duties,

then that director must immediately tender a resignation along with an explanation of the change in circumstances leading to the tender of the resignation. The Board of Directors will decide, through a process managed by the Nominating and Corporate Governance Committee and excluding the Director in question, whether to accept the resignation. The decision will be made no later than the Board of Directors' next regularly scheduled Board meeting. A director whose employer changes or whose scope of employment materially changes should disclose that change and any relevant related information to the Board Chairperson and the Chair of the Nominating and Corporate Governance Committee, either of whom may determine that a or b above applies.