

Allison Transmission Holdings, Inc.
Compensation Committee Charter

This Amended and Restated Compensation Committee Charter (this “Charter”) was adopted by the Board of Directors (the “Board”) of Allison Transmission Holdings, Inc., a Delaware corporation (the “Company”), on May 12, 2016.

I. Purpose

The Compensation Committee (the “Committee”) is delegated the power and authority (i) to review, approve and/or oversee all forms of compensation to be provided to the executive officers, employees and directors of the Company and its subsidiaries and all agreements and arrangements with respect thereto, including employment and service agreements; (ii) to establish the general compensation policies of the Company and its subsidiaries; and (iii) to review, approve and/or oversee the administration of employee benefits plans of the Company and its subsidiaries, including without limitation any stock option or stock purchase plan now in effect or hereafter adopted or assumed, as applicable, by the Company or its subsidiaries, and to make recommendations for shareholder approval of such plans, as applicable. The Committee shall have general supervisory authority with respect to the type and cost of broad-based employee benefit plans that are adopted or maintained by the Company or its subsidiaries for its or their employees and shall review and approve all matters with respect thereto that would require additional funding obligations by the Company or any of its subsidiaries, unless such funding obligations are required by applicable law. However, the Committee shall not participate in the day-to-day operation or administration of such employee benefit plans (other than the Equity Incentive Plan of Allison Transmission Holdings, Inc. or any other stock option or equity incentive plan adopted or maintained by the Company or any of its subsidiaries (collectively, “Equity Incentive Plans”) or any executive incentive compensation plans) and shall have no authority with respect to the investment of any assets held by or under any such employee benefit plans or any matters ancillary thereto. It is intended that no member of the Committee shall be deemed to have any fiduciary or other similar responsibility to any such employee benefit plans or to any participant in any such employee benefit plans under the Employee Retirement Income Security Act of 1974, as amended, or otherwise.

Additionally, in the interest of orderly management of the Company, the Committee shall have the power to review management development and succession plans, including establishing policies regarding succession in the event of an emergency or the retirement of the Chief Executive Officer.

Without limiting the foregoing, the Committee shall have the authority to undertake the specific duties and responsibilities described herein and the authority to undertake such other duties as the Board, from time to time, may prescribe, consistent with the Company’s bylaws (as in effect from time to time) and applicable law. Unless the Committee otherwise determines in its discretion to seek guidance or direction from the Board, the powers and responsibilities delegated by the Board to the Committee in this Charter or otherwise shall be exercised and carried out by the Committee as it deems appropriate without requirement of Board approval, and any decision made by the Committee (including any decision to exercise or refrain from exercising any of the powers delegated to the Committee hereunder) shall be at the Committee’s

sole discretion. While acting within the scope of the powers and responsibilities delegated to it, the Committee shall have and may exercise all of the powers and authority of the Board. To the fullest extent permitted by law, the Committee shall have the power to determine which matters are within the scope of the powers and responsibilities delegated to it.

The policy of the Committee is to create a competitive compensation structure that will help attract and retain key management talent, assure the integrity of the Company's compensation and benefit practices, appropriately tie compensation to performance and align the interests of directors, officers and employees with the interests of all stockholders

II. Membership

The Committee shall be composed of at least three (3) directors as determined by the Board. The Committee shall be comprised solely of directors deemed by the Board to be independent and who meet independence requirements of the New York Stock Exchange. With respect to determinations made under Rule 16b-3 under the Securities Exchange Act of 1934 (the "Exchange Act") or Section 162(m) of the Internal Revenue Code, if all members of the compensation committee are not "non-employee directors" (as defined in Rule 16b-3 under the Exchange Act) or "outside directors" (as defined in Section 162(m) of the Internal Revenue Code), as applicable, determinations made pursuant to Rule 16b-3 under the Exchange Act shall be made by a sub-committee comprised solely of two (2) or more "non-employee directors," and, upon the expiration of the "reliance period" for newly public companies (as defined in sub-section 1.162-27(f)(2) of the Regulations of the Internal Revenue Service), determinations with respect to compensation that is intended to qualify as "performance based compensation" for purposes of Section 162(m) of the Internal Revenue Code shall be made by a sub-committee comprised solely of two or more "outside directors." The Nominating and Corporate Governance Committee shall recommend nominees for appointment to the Committee. Committee members, including the Chair of the Committee, shall be appointed by the Board and may be removed by the Board at any time. The Nominating and Corporate Governance Committee shall recommend to the Board, and the Board shall designate, the Chair of the Committee.

III. Meetings and Procedures

The Committee shall meet at least two (2) times annually, or more frequently as circumstances dictate. Meetings of the Committee may be called by the Chair of the Committee or the Chairman of the Board. The Committee shall establish its own agenda and shall maintain minutes of its meetings. The Chair of the Committee or his designee shall periodically report to the Board the significant results of the Committee's activities.

The Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the Company's bylaws that are applicable to the Committee.

All non-management directors who are not members of the Committee may attend and observe meetings of the Committee, but shall not participate in any discussion or deliberation unless invited to do so by the Committee, and in any event shall not be entitled to vote. The

Committee may, at its discretion, include in its meetings members of the Company's management or any other persons whose presence the Committee believes to be necessary or appropriate. Notwithstanding the foregoing, the Committee may exclude from its meetings any persons it deems appropriate, including, but not limited to, any non-management director who is not a member of the Committee.

The Committee may and has sole authority to retain and terminate independent counsel, compensation consultants, or other experts or consultants, as it deems necessary or appropriate, including sole authority to approve the fees and other retention terms for such persons. The Committee may also utilize the services of the Company's regular legal counsel or other advisors to the Company. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to any advisors employed by the Committee and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee may conduct or authorize investigations into any matters within the scope of the powers and responsibilities delegated to the Committee. The Committee shall review and reassess the adequacy of this Charter at least annually, and recommend any changes to the Board for approval.

IV. Duties and Responsibilities

The Committee shall:

1. Review annually, or more frequently if determined necessary by the Committee, the compensation philosophy of the Company.
2. Review and approve annually, or more frequently if determined necessary by the Committee, the corporate goals and objectives relevant to the compensation of the chief executive officer and other executive officers of the Company or its subsidiaries and such other employees of the Company and its subsidiaries as determined in the discretion of the Committee.
3. Evaluate the performance of the chief executive officer and such other executive officers and employees against the above-described goals and objectives and approve awards to such executive officers and employees on the basis of such performance.
4. Establish and approve the salaries, annual incentive award opportunities and long-term incentive awards of the chief executive officer and other executive officers of the Company.
5. Review and approve compensation plans and programs for non-employee directors, executive officers and other employees of the Company or its subsidiaries. The compensation plans may include, but shall not be limited to, salaries, benefits, bonuses, perquisites and annual and long-term equity and non-equity incentive plans. In development and application of such plans, the Committee shall consider the Company's performance and the value of similar

plans at comparable companies.

6. Review and approve service agreements, employment agreements, severance agreements, change in control agreements or other similar agreements and arrangements, and any amendments thereto, of non-employee directors, executive officers and employees of the Company or its subsidiaries.
7. Subject to paragraph 15 below, oversee the Company's compliance with any applicable laws, rules, regulations or guidelines related to compensation of non-employee directors, executive officers, employees or consultants of the Company or any of its subsidiaries.
8. Subject to paragraph 15 below, review, approve and oversee generally budgets related to broad-based compensation plans applicable to employees and consultants of the Company and its subsidiaries, including salaries, bonuses, incentive compensation and employee benefits.
9. Subject to paragraph 15 below, oversee and supervise, generally, the compensation policies applicable to all employees of the Company and its subsidiaries, including periodic reviews of the adequacy of the Company's compensation structure, performance review procedures, employee turn-over and retention, successorship plans and other human resource issues.
10. Review, approve and administer executive incentive compensation, and Equity Incentive Plans and grant awards thereunder.
11. Authorize the repurchase of shares of the Company's capital stock and/or stock options from terminated employees, subject to applicable law.
12. Subject to paragraph 15 below, review and approve, and oversee the administration of, any loan to any employee of the Company or its subsidiaries.
13. Review and approve, and oversee the administration of, any annual bonus plan now in effect or hereafter adopted or the award of any transactional or other special bonus to the executive officers and employees of the Company or its subsidiaries, including without limitation the establishment of specific performance targets, if any, in connection therewith.
14. Establish and periodically review Company policies relating to executive officer perquisites and other non-cash benefits.
15. Review and approve amendments, changes or additions to the broad-based employee benefit plans adopted or maintained by the Company or its subsidiaries for its or their employees generally (other than amendments, changes or additions that are required by applicable law), provided, however, that the Committee shall not participate in the day-to-day administration of such employee benefit plans (other than Equity Incentive Plans and executive incentive compensation plans), shall have no authority with respect to the investment of any assets held by any

such employee benefit plans or any matters ancillary thereto, and shall not exercise any discretionary authority or control with respect to any such employee benefit plans or any amendments, changes or additions thereto, except to the extent that such amendments, changes or additions would require additional funding obligations by the Company or its subsidiaries or would otherwise reasonably be expected to have a material financial impact on the Company or its subsidiaries.

16. Conduct an evaluation at least annually of the Committee's performance, including its compliance with this Charter.
17. Review and approve a report on executive compensation, including the Compensation Discussion and Analysis prepared by management, for inclusion in the Company's annual proxy statement following such time as the Company becomes subject to the periodic reporting requirements of the Exchange Act.
18. Periodically review the need for a Company policy regarding compensation paid to the Company's executive officers in excess of limits deductible under Section 162(m) of the Internal Revenue Code.
19. Perform such other functions and have such other powers as may be necessary or convenient, as determined in the discretion of the Committee, in the efficient discharge of the foregoing.

V. Consistency with Certificate

To the extent that any provision or section of this Charter may be inconsistent with any article, provision or section of the certificate of incorporation or bylaws of the Company or any applicable law or regulation, the certificate of incorporation or the bylaws or the law or regulation, as appropriate, shall fully control.