

**CHARTER OF THE  
COMPENSATION AND LEADERSHIP DEVELOPMENT COMMITTEE  
OF THE BOARD OF DIRECTORS  
OF ALASKA AIR GROUP, INC.**

**As Amended December 16, 2016**

- 1. Purpose, Policies and Objectives.** The purpose of the Compensation and Leadership Development Committee (the “Committee”) is to discharge the responsibilities of the Board of Directors (the “Board”) of Alaska Air Group, Inc. (the “Company”) relating to compensation of elected officers of the Company and its wholly owned subsidiaries Alaska Airlines, Inc., Horizon Air Industries, Inc. and Virgin America Inc. (the “Subsidiaries”) and the highest ranking elected officer of McGee Air Services, Inc., to produce an annual report on executive compensation for inclusion in the Company’s proxy statement in accordance with applicable rules and regulations, and to take such other actions within the scope of this charter as the Committee deems necessary or appropriate. The Company’s policy is to pay competitive compensation. The objectives of the Company’s executive compensation policies are: (1) to attract and retain highly qualified executives, (2) to motivate executives to provide excellent leadership and achieve Company goals, (3) to link the interests of executives and stockholders by tying a large portion of total compensation to Company profitability and stock value and (4) to reward outstanding performance.
- 2. Membership.** The Committee will be composed of two or more directors. All members of the Committee will be independent directors (as determined by the Board) under the independence requirements of the New York Stock Exchange (the “NYSE”), as the same may be amended or supplemented from time to time, and of the Securities and Exchange Commission (the “SEC”) pursuant to regulations promulgated by the SEC under The Sarbanes-Oxley Act of 2002 (the “Sarbanes Act”) or otherwise, as the same may be amended or supplemented from time to time; and who qualify as non-employee directors under Rule 16b-3 under the Securities Exchange Act of 1934, as amended; and outside directors under Internal Revenue Code Section 162(m) and other applicable law. The members of the Committee will be appointed by and serve at the discretion of the Board. The Chairperson of the Committee will be appointed by and serve at the discretion of the Board.
- 3. Specific Responsibilities and Duties.** The Board delegates to the Committee the express authority to do the following, to the fullest extent permitted by applicable law and the Company’s Certificate of Incorporation and Bylaws:

  - (a) **Executive and Director Compensation.** Recommend for approval by the Board of Directors changes in compensation and insurance for the Company’s and the Subsidiaries’ non-employee directors. Set, review and approve compensation of the elected officers of the Company and the Subsidiaries, which may include base salary, an incentive plan tied to annual financial and operational performance, equity-based awards and retirement benefits, as more specifically set forth below:

- (i) **CEO Compensation.** Establish a process for reviewing and approving corporate goals relevant to CEO compensation and for evaluating the CEO's performance in light of these goals. Set salary of CEO.
- (ii) **Executive Salaries.** Review and approve the salaries of elected officers of the Company and the Subsidiaries.
- (iii) **Annual Cash Bonus Plan(s).**
  - (a) Set annual goals under the Company's and the Subsidiaries' respective annual cash bonus plans and any successor plans each year, and otherwise review and administer each annual cash bonus plan.
  - (b) Designate the employee participants in each annual cash bonus plan.
  - (c) Review and approve the calculations for determining the awards and approve the annual payout awards.
  - (d) Determine payment of awards under each annual cash bonus plan in cash or shares.
  - (e) Make modifications to each annual cash bonus plan as required.
- (iv) **Operational Performance Rewards Plan.**
  - (a) Establish annual periodic performance goals for each Operational Performance Rewards Plan ("OPR Plan") during the life of the OPR Plan.
  - (b) Make modifications to each OPR Plan as required.
- (v) **Equity-Based Awards.**
  - (a) Administer and review the Company's equity-based incentive plans. Consider and make recommendations to the Board with respect to any modification of such plans.
  - (b) Grant awards under the Company's equity-based incentive plans, including awards designed to be exempt under Internal Revenue Code Section 162(m), to elected officers of the Company and the Subsidiaries as well as to certain other key management employees of the Company and the Subsidiaries, as determined by the Committee from time to time.
  - (c) Have the power and authority under the Company's equity-based incentive plans, including but not limited to the Company's 2016 Performance Incentive Plan and any successor plans, to delegate to the CEO of the Company the Committee's authority to grant non-qualified equity-based awards (including but not limited to stock options, stock appreciation rights and stock awards) under such plans to employees at the Managing Director level and below of the

Company and the Subsidiaries, subject to the limitations and restrictions determined by the Committee from time to time as required under law.

- (vi) **Elected Officer Retirement and Deferred Compensation Plans.** Administer and review the Alaska Air Group, Inc. Officers Supplementary Retirement Plan and any successor plan (the "OSRP") and the Alaska Air Group, Inc. Nonqualified Deferred Compensation Plan (the "NDCP") which includes the Performance-Based Pay Deferred Compensation Plan, the Bonus Deferral Plan and the Defined Contribution Officers Supplementary Retirement Plan (the "DC-OSRP"). Consider and make recommendations to the Board with respect to any modification of any of these plans.
  - (vii) **Compensation Clawback Policy.** The Committee has the power and sole discretion to administer, review and modify the Company's Policy Regarding the Recoupment of Certain Compensation Payments from employees of the Company and the Subsidiaries.
  - (viii) **Other Compensation and Plans.** Consider and make recommendations to the Board with respect to the Company's and the Subsidiaries' executive compensation issues other than those enumerated above, including but not limited to, the adoption or modification of any long- or short-term incentive plans and equity-based plans, as the Committee deems appropriate.
  - (ix) **McGee Air Services, Inc.** The Committee also has the express authority to conduct the activities set forth in Section 3(a)(ii), (iii), and (v)-(viii), as applicable and to the fullest extent permitted by applicable law with respect to, and only with respect to, the compensation of the highest ranking elected officer of McGee Air Services, Inc.
- (b) **Employment, Change-in-Control and Severance Agreements.** Approve the terms of any employment, or severance agreements between the Company (or any Subsidiary) and any current or future elected officers of the Company (or any Subsidiary), which shall be executed and delivered by the CEO on behalf of the Company and the Subsidiaries (as applicable). Approve the form of any change-in-control agreements between the Company (or any Subsidiary) and any elected officer of the Company (or any Subsidiary).
- (c) **Retirement Plans.** Approve all Internal Revenue Service tax-qualified retirement plans and all plan amendments that are non-administrative in nature; fulfill ERISA fiduciary and non-fiduciary functions by (a) periodically monitoring fiduciary functions that have been delegated to the Alaska Air Group Pension/Benefits Administrative Committee, the Alaska Air Group Defined Contribution Retirement Benefits Administrative Committee and the Pension Funds Investment Committee (collectively, the "Administrative Committees"), and (b) approving:
- (i) the appointment of members of the Administrative Committees and the chair (if any) of each Administrative Committee;

- (ii) the termination, merger or consolidation of any such plan or plans; and
  - (iii) the extension of plan participation to employees of affiliates or subsidiaries.
- (d) **401(k) Plans.** Review and approve the matching provisions in connection with the Alaska Air Group, Inc. Alaskasaver Plan, and the Horizon Air Industries, Inc. Savings Investment and Supplemental Savings Plans, and any other matching provisions in similar Subsidiary plans, as needed.
- (e) **Leadership Development**
- (i) Ensure that a framework, process and policies are in place for CEO and executive management succession, including standards for assessment of individual development activities and progress.
  - (ii) Periodically review CEO and other management development and succession plans.
- (f) **Annual Report.** Produce an annual report on executive compensation for inclusion in the Company's proxy statement.
- (g) **Review and Publication of Charter.** Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. Publish the Charter as required by the rules and regulations of applicable law and New York Stock Exchange requirements and as otherwise deemed advisable by the Committee.
- (h) **Annual Review.** Annually review the Committee's own performance.
- (i) **Other Actions.** Take such other actions as may be requested or required by the Board from time to time.
- (j) **Recommendations.** Make recommendations and report to the Board and other Board committees with respect to the compensation policy of the Company and the Subsidiaries for elected officers or any of the foregoing matters.
4. **Meetings.** The Committee will meet with such frequency, and at such times as its Chairperson, or a majority of the Committee, determines. A special meeting of the Committee may be called by the Chairperson and will be called promptly upon the request of any two Committee members. The agenda of each meeting will be prepared by the Chairperson and circulated to each member. Unless the Committee or the Board adopts other procedures, the provisions of the Company's Bylaws applicable to meetings of Board committees will govern meetings of the Committee.
5. **Minutes.** Minutes of each meeting will be kept with the regular corporate records.
6. **Reliance; Experts; Cooperation.**
- (a) **Retention of Advisors and Compensation Consultants.** The Committee has the power and the sole discretion to retain, at the Company's expense, such compensation consultants, independent legal counsel or other advisors ("compensation advisors") as it

deems necessary or appropriate to carry out its duties, provided the Committee first considers all factors relevant to the independence of such compensation advisor from the Company, including the independence standards set forth in Section 303A.05 of the NYSE Listed Company Manual. The Board delegates to the Committee the express authority to decide whether to retain one or more compensation advisors to assist in the evaluation of compensation pursuant to this Charter. If the Committee decides in its discretion to retain such a compensation advisor, the Board delegates to the Committee the sole authority to retain, directly oversee, and terminate any such compensation advisor and to approve the compensation advisor's fees and other retention terms. Notwithstanding the foregoing, Committee shall exercise its own judgment on all compensation matters and is not required to implement any advice or recommendations of any compensation advisor.

- (b) **Reliance Permitted.** In carrying out its duties, the Committee will act in reliance on management, independent public accountants, internal auditors and outside advisors and experts, as it deems necessary or appropriate.
- (c) **Investigations.** The Committee has the authority to conduct any investigation it deems necessary or appropriate to fulfilling its duties.
- (d) **Required Participation of Employees.** The Committee shall have unrestricted access to the Company's and the Subsidiaries' independent public accountants, internal auditors, internal and outside counsel, and anyone else in the Company and the Subsidiaries, and may require any officer or employee of the Company or the Subsidiaries or the Company's outside counsel or independent public accountants to attend a meeting of the Committee or to meet with any members of, or consultants or advisors to, the Committee.