

## ALLISON TRANSMISSION HOLDINGS, INC.

### CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (the “**Board**”) of Allison Transmission Holdings, Inc. (the “**Company**”) has adopted the following amended and restated Corporate Governance Guidelines (the “**Guidelines**”), on February 21, 2019, to assist the Board in the exercise of its responsibilities and to serve the interests of the Company and its stockholders. These Guidelines should be interpreted in the context of all applicable laws and the Company’s certificate of incorporation, bylaws and other corporate governance documents. These Guidelines acknowledge the leadership exercised by the Board’s standing committees and their chairs and are intended to serve as a flexible framework within which the Board may conduct its business and not as a set of legally binding obligations. The Guidelines are subject to modification from time to time by the Board as the Board may deem appropriate and in the best interests of the Company and its stockholders or as required by applicable laws and regulations.

The Company’s certificate of Incorporation provides that the number of directors will be fixed from time to time by the Board. The Board will periodically review the size of the Board, and determine the size that is most effective in relation to future operations.

#### *Independence of the Board*

The Board will be comprised of a majority of directors who qualify as Independent Directors (the “**Independent Directors**”) under the listing standards of The New York Stock Exchange.

#### *Board Leadership*

The Board does not have a formal policy on whether the role of the Chief Executive Officer and the Chair of the Board should be separate. If the Chair of the Board is not the Chief Executive Officer, and is an independent director, there need not be a Lead Independent Director. If the Chair is the Chief Executive Officer or is not an Independent Director, the Independent Directors shall elect a Lead Independent Director.

The Chair of the Board will have the following duties and responsibilities:

- Presiding at and supervising the conduct of all meetings of the Board and stockholders and all executive sessions of the non-management directors;
- Acting as the principal communicator between the Board and the Chief Executive Officer;
- Facilitating communication and otherwise serving as a liaison between the non-management directors and the Chief Executive Officer;
- Reviewing and approving, in connection with the Lead Independent Director, all agendas for meetings of the Board;
- Ensuring that he or she is available for consultation and direct communication with major stockholders upon request; and

- Discharging other duties and responsibilities that the Independent Directors may designate from time to time.

The Lead Independent Director will have the following duties and responsibilities:

- Presiding at and supervising the conduct of all executive sessions or meetings of the Independent Directors and all other meetings of the Board at which the Chair of the Board is not present;
- Calling meetings of the Independent Directors and communicating the results of such meetings to the Chair of the Board;
- Facilitating communication and otherwise serving as a liaison between the Independent Directors and the Chair of the Board and between the Independent Directors and management;
- Reviewing and approving, in connection with the Chair of the Board, all agendas for meetings of the Board;
- Ensuring that he or she is available for consultation and direct communication with major stockholders upon request; and
- Discharging other duties and responsibilities that the independent directors may designate from time to time.

#### *Separate Sessions of Non-Management and Independent Directors*

The non-management directors will meet in executive sessions without management directors or management present on a regularly scheduled basis, but no less than two (2) times a year. The Chair of the Board will serve as the chair of executive sessions of non-management directors. The Independent Directors will meet in executive sessions without non-independent directors or management present on a regularly scheduled basis, but no less than two (2) times a year. The Lead Independent Director will serve as the chair of executive sessions of Independent Directors. The non-management directors will review the Company's implementation of, and compliance with, the Guidelines and consider such matters as they may deem appropriate at such meetings. Non-management directors are all directors who are not Company officers (as that term is defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended), including such directors who are not independent by virtue of a material relationship, former status or family membership, or for any other reason.

#### *Director Qualification Standards*

The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the appropriate characteristics, skills and experience required for the Board as a whole and its individual members. In evaluating the suitability of individual candidates (both new candidates and current Board members), the Nominating and Corporate Governance Committee, in recommending candidates for election, and the Board, in approving (and, in the case of vacancies, appointing) such candidates, takes into account many factors, including: personal and professional integrity, ethics and values; experience in corporate management, such as serving as an officer or former officer of a publicly held company; experience in the Company's industry and with relevant social policy concerns; experience as a board member

of another publicly held company; academic expertise in an area of the Company's operations; practical and mature business judgment; and equity ownership in the Company.

The Board evaluates each individual in the context of the Board as a whole, with the objective of assembling a group that can best perpetuate the success of the business and represent stockholder interests through the exercise of sound judgment using its diversity of experience in these various areas. Consistent with this philosophy, the Nominating and Corporate Governance Committee is committed to actively seek qualified candidates who reflect diverse backgrounds, including diversity of gender and race, in each search for new Board nominees.

In determining whether to recommend a director for re-election, the Nominating and Corporate Governance Committee may consider the director's past attendance at meetings and participation in and contributions to the activities of the Board.

#### *Selection of New Directors*

Each member of the Board will stand for election by the stockholders of the Company at the Company's annual meeting for and hold office until the next annual meeting. Each year, at the annual meeting, the Board will recommend a slate of directors for election by the stockholders. In accordance with the bylaws of the Company, the Board will also be responsible for filling vacancies or newly-created directorships on the Board that may occur between annual meetings of stockholders. The Nominating and Corporate Governance Committee is responsible for identifying and screening candidates for Board membership and recommending candidates to the entire Board for Board membership.

#### *Service on Other Public Company Boards*

The Board believes that non-employee directors should limit the number of public companies on whose boards they serve to five or fewer. Directors who also serve as an employee of the Company should limit the number of public companies on whose boards they serve to two or fewer.

Service on other boards and/or committees should be consistent with the Company's conflict of interest policies set forth below. Directors are expected to notify the chair of the Nominating and Corporate Governance Committee before accepting election or appointment to any public company board on which they did not serve when appointed to the Company's Board.

#### *Directors Who Resign or Materially Change Their Current Positions with Their Own Company or Become Aware of Circumstances that May Adversely Reflect upon the Director or the Company*

When a director, including any director who is currently an officer or employee of the Company, resigns or materially changes his or her position with his or her employer or becomes aware of circumstances that may adversely reflect upon the director or the Company, such director should notify the Nominating and Corporate Governance Committee of such circumstances. The Nominating and Corporate Governance Committee will consider the circumstances, and may in certain cases consider requesting that the director submit his or her resignation from the Board if,

for example, continuing service on the Board by the individual is not consistent with the criteria deemed necessary for continuing service on the Board.

### *Term Limits*

As each director is periodically subject to election by stockholders, the Board does not believe it is in the best interests of the Company to establish term limits at this time. Additionally, such term limits may cause the Company to lose the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company's business and therefore can provide an increasingly significant contribution to the Board.

### *Retirement*

It is the policy of the Board that an Independent Director shall not serve as a director beyond the end of an elected term during which the director achieves his or her 75<sup>th</sup> birthday, provided that the full Board may unanimously re-nominate a candidate over 75 years of age in its discretion based on a director's particular contributions and expertise.

### *Elections of Directors*

In accordance with the Company's bylaws, unless the Secretary of the Company determines that the number of nominees exceeds the number of directors to be elected at any meeting of the stockholders as of the record date for the meeting, a nominee must receive more votes cast for than against his or her election or re-election (with abstentions not counted as a vote cast either for or against that nominee's election) in order to be elected or re-elected to the Board. The Board shall nominate for re-election as directors only incumbent candidates who tender, prior to the mailing of the proxy statement for the meeting at which they are to be re-elected as directors, irrevocable resignations that will be effective upon the occurrence of both (1) the failure to receive the required vote for re-election at any meeting at which they are nominated for re-election and (2) Board acceptance of such resignation. In addition, the Board shall fill director vacancies and new directorships only with candidates who tender, at or prior to the time of their appointment to the Board, the same form of resignation tendered by other directors in accordance with this Guideline.

In the event one or more directors fails to receive the required vote for election or re-election (each, a "**Subject Director**"), either (i) the Nominating and Corporate Governance Committee or (ii) if one or more of the members of the Nominating and Corporate Governance Committee is a Subject Director or the Board determines that a committee other than the Nominating and Corporate Governance Committee should recommend whether to accept the Subject Director's resignation, a committee consisting solely of Independent Directors who are not Subject Directors (the committee described in clause (i) or (ii) of this sentence, the "**Committee**" for purposes of this Guideline) will make a recommendation to the Board as to whether to accept or reject the Subject Director's previously tendered resignation, or whether other action should be taken (including whether to request that a Subject Director resign from the Board if no resignation had been previously tendered). The Board, not including any Subject Director, shall act with respect to any Subject Directors, taking into account the recommendation of the Committee, within ninety (90) days from the date of the certification of the election results and

shall notify the Subject Directors of its decision. Notwithstanding the foregoing, if the result of accepting all tendered resignations then pending and requesting resignations from directors who did not submit a resignation prior to the relevant meeting would be that the Company would have fewer than three directors who were in office before the election of directors, the Board may determine to extend such 90-day period by an additional ninety (90) days if it determines that such an extension is in the best interests of the Company and its stockholders.

The Committee in making its recommendation, and the Board in making its decision, may each consider all factors it considers relevant, including any stated reasons for “against” votes, whether the underlying cause or causes of the “against” votes are curable, the length of service of each Subject Director, each Subject Director’s contributions to the Company, whether the acceptance of any resignation would cause the Company to fail to comply with any requirement of the New York Stock Exchange or any rule or regulation promulgated under the Securities Exchange Act of 1934, as amended, whether acceptance of any resignation would lead to a “change of control” of the Company as determined pursuant to any financing or other material agreement of the Company or any of its subsidiaries, and whether acceptance of any resignation would lead to a default under any material agreement to which the Company or any of its subsidiaries is a party or otherwise bound. Subject Directors shall not participate in the deliberation or recommendation(s) of the Committee or in the deliberation or decision(s) of the Board. Notwithstanding the foregoing, if all of the Independent Directors are Subject Directors, then the Committee shall consist of all the Independent Directors, except for the Independent Director whose resignation is under consideration, and furthermore, if the directors who are not Subject Directors constitute less than a quorum of the Board, then (i) all directors, except for the director whose resignation is under consideration, may participate in the Board’s deliberation and decisions regarding whether to accept or reject the previously tendered resignations, and (ii) the Board may determine that the effectiveness of its acceptance of any resignations of Subject Directors will occur after the Board has considered the resignations of all Subject Directors.

The Company shall promptly disclose the decision(s) of the Board in a filing with the Securities and Exchange Commission of a Current Report on Form 8-K. If a Subject Director’s tendered resignation is not accepted by the Board or such Subject Director does not otherwise submit his or her resignation to the Board, such director shall continue to serve until his or her successor is duly elected and qualified, or his or her earlier resignation or removal. If a Subject Director’s resignation is accepted by the Board, or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board, in its sole discretion, may fill any resulting vacancy or decrease the size of the Board in accordance with the Company’s bylaws.

### *Director Responsibilities*

The business and affairs of the Company will be managed by or under the direction of the Board, including through one or more of its committees as set forth in the bylaws and committee charters. Each director is expected to spend the time and effort necessary to properly discharge his or her responsibilities. These include (as applicable):

- (1) overseeing the conduct of the Company’s business to evaluate whether the business is being properly managed;

- (2) reviewing and, where appropriate, approving the Company's major financial objectives, plans and actions;
- (3) reviewing and, where appropriate, approving major changes in, and determinations of other major issues respecting, the appropriate auditing and accounting principles and practices to be used in the preparation of the Company's financial statements;
- (4) reviewing and, where appropriate, approving major changes in, and determinations under, the Company's Guidelines, Code of Business and other Company policies;
- (5) reviewing and, where appropriate, approving actions to be undertaken by the Company that would result in a material change in the financial structure or control of the Company, the acquisition or disposition of any business(es) or asset(s) material to the Company or the entry of the Company into any major new line of business;
- (6) reviewing the performance of the Chief Executive Officer and other members of management based on reports from the Compensation Committee;
- (7) planning for succession with respect to the position of the Chief Executive Officer and monitoring management's succession planning for other key executives; and
- (8) ensuring that the Company's business is conducted with the highest standards of ethical conduct and in conformity with applicable laws and regulations.

### *Compensation*

The Company's executive officers shall not receive additional compensation for their service as directors. Senior management of the Company will report once a year to the Nominating and Corporate Governance Committee regarding the status of the Company's non-management director compensation in relation to other U.S. companies of comparable size and the Company's competitors. Such report will include consideration of both direct and indirect forms of compensation to the Company's non-management directors, including any charitable contributions by the Company to organizations in which a non-management director is involved. Following a review of the report, the Nominating and Corporate Governance Committee will recommend any changes in non-management director compensation to the Board, which changes will be approved or disapproved by the Board after a full discussion.

Members of the Audit Committee may not directly or indirectly receive any compensation from the Company other than their directors' compensation, including any compensation for service on committees of the Board and the receipt of equity incentive awards.

### *Stock Ownership*

The Company encourages directors to own shares of the Company's stock and has adopted the Non-Employee Director Stock Ownership Policy, which requires each non-employee director

who participates in the Non-Employee Director Compensation Policy to accumulate ownership in the Company equal to 5.0x the base annual retainer within five years of the Non-Employee Director Stock Ownership Policy being adopted or the date the non-employee director first receives compensation under the Non-Employee Director Compensation Policy, whichever is later.

### *Conflicts of Interest*

Directors are expected to avoid any action, position or interest that conflicts with the interests of the Company or gives the appearance of a conflict. If an actual or potential conflict of interest develops, the director should immediately report all facts regarding the matter to the Board. Any significant conflict must be resolved or the director should resign. If a director has a personal interest in a matter before the Board, the director must disclose the interest to the Board, excuse himself or herself from discussion on the matter and not vote on the matter.

### *Interaction with Institutional Investors, the Press and Customers*

The Board believes that management speaks for the Company. Each director should refer all inquiries from institutional investors, the press or customers regarding the Company's operations to management. Individual Board members may, from time to time at the request of the management, meet or otherwise communicate with various constituencies that are involved with the Company. If comments from the Board are appropriate, they should, in most circumstances, come from the Chief Executive Officer in his or her Board capacity or other member of the Board designated by the Board.

### *Board Access to Senior Management*

The Board will have complete access to Company management in order to ensure that directors can ask any questions and receive all information necessary to perform their duties. Directors should exercise judgment to ensure that their contact with management does not distract managers from their jobs or disturb the business operations of the Company. Such contact, if in writing, should be copied to the Chief Executive Officer of the Company.

### *Board Access to Independent Advisors*

The Board committees may hire independent advisors as set forth in their applicable charters. The Board as a whole shall have access to such advisors and such other independent advisors that the Company retains or that the Board considers necessary to discharge its responsibilities.

### *Annual Self-Evaluation*

Following the end of each fiscal year, the Nominating and Corporate Governance Committee will oversee an annual assessment by the Board of the Board's performance. The Nominating and Corporate Governance Committee will be responsible for establishing the evaluation criteria and implementing the process for such evaluation, as well as considering other corporate governance principles that may, from time to time, merit consideration by the Board.

The assessment should include a review of any areas in which the Board or management believes the Board can make a better contribution to the governance of the Company, as well as a review of the committee structure and an assessment of the Board's compliance with the principles set forth in these Guidelines. The Nominating and Corporate Governance Committee will utilize the results of the Board evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board.

### **Board Meetings**

#### *Frequency of Meetings*

The Board will meet at least four (4) times annually. In addition, special meetings may be called from time to time as determined by the needs of the business. It is the responsibility of the directors to attend meetings.

#### *Director Attendance*

A director is expected to spend the time and effort necessary to properly discharge his or her responsibilities. Accordingly, a director is expected to regularly prepare for and attend meetings of the Board and all committees on which the director sits (including separate meetings of non-management directors and the Independent Directors), with the understanding that, on occasion, a director may be unable to attend a meeting. A director who is unable to attend a meeting is expected to notify the Chief Executive Officer (if he or she is a member of the Board) or the Secretary, or the Chairperson of the appropriate committee in advance of such meeting, and, whenever possible, participate in such meeting via teleconference.

#### *Attendance of Non-Directors*

The Board encourages invitations to management and outside advisors or consultants from time to time to participate in Board and/or committee meetings to (i) provide insight into items being discussed by the Board which involve the manager, advisor or consultant, (ii) make presentations to the Board on matters which involve the manager, advisor or consultant and (iii) bring managers with high potential into contact with the Board. Attendance of non-directors at Board meetings is at the discretion of the Board.



### *Advance Receipt of Meeting Materials*

Information regarding the topics to be considered at a meeting is essential to the Board's understanding of the business and the preparation of the directors for a productive meeting. To the extent feasible, the meeting agenda and any written materials relating to each Board meeting will be distributed to the directors sufficiently in advance of each meeting to allow for meaningful review of such agenda and materials by the directors. Directors are expected to have reviewed and be prepared to discuss all materials distributed in advance of any meeting.

### **Committee Matters**

#### *Number, Name, Responsibilities and Independence of Committees*

The Board currently has three (3) committees: Audit, Compensation and Nominating and Corporate Governance. Only directors meeting the independence requirements of the New York Stock Exchange and Rule 10A-3 of the Securities Exchange Act of 1934 and any related rules promulgated by the Securities and Exchange Commission may serve on the Audit Committee, subject to any applicable phase-in periods under such rules. Director nominees shall be subject to the approval of the Nominating and Corporate Governance Committee. From time to time, the Board may form a new committee or disband a current committee, depending upon the circumstances. Each committee will perform its duties as assigned by the Board in compliance with the Company's bylaws and the committee's charter.

The current committees are:

(1) Audit Committee. The Audit Committee consists of at least three (3) members and reviews the work of the Company's internal accounting and audit processes and independent auditors. Among other things, the committee has sole authority to appoint and fire the Company's independent auditors and to approve any significant non-audit relationship with the independent auditors.

(2) Compensation Committee. The Compensation Committee consists of at least three (3) members and reviews and approves the Company's goals and objectives relevant to compensation, stays informed as to market levels of compensation and, based on evaluations submitted by management and other assessments, approves compensation for the Chief Executive Officer, all other senior officers of the Company, all other officers (as such term is defined in Rule 16a-1, promulgated under the Securities Exchange Act of 1934) and certain other employees that correspond to the Company's goals and objectives and reports to the Board concerning these matters. The committee produces an annual report on executive compensation for inclusion in the Company's proxy statement and reviews and recommends Board approval of the Company's Compensation Disclosure and Analysis section of such proxy statement, in accordance with applicable rules and regulations. The committee periodically reports to the Board concerning its compensation determinations with respect to management and employees.

(3) Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee consist of at least three (3) members and is responsible for recommending

to the Board individuals to be nominated as directors and committee members. This includes evaluation of new candidates as well as evaluation of current directors. This committee is also responsible for developing and recommending to the Board the Guidelines, as well as reviewing and recommending revisions to the Guidelines on a regular basis. The committee periodically makes recommendations to the Board concerning compensation of the Company's non-employee directors. This committee also performs other duties as are described in these Guidelines and prepares any disclosure of the nominating process required by applicable rules and regulations.

#### *Assignment and Rotation of Committee Members*

Based on the recommendation of the Nominating and Corporate Governance Committee, the Board appoints committee members and committee chairs according to criteria set forth in the applicable committee charter and such other criteria that the Board determines to be appropriate in light of the responsibilities of each committee. Committee membership and the position of committee chair will not be rotated on a mandatory basis unless the Board determines that rotation is in the best interest of the Company.

Each member of the Audit Committee must satisfy the independence requirements of Rule 10A-3 under the Securities Exchange Act of 1934, subject to any applicable phase-in periods provided for by the New York Stock Exchange Listed Company Manual, and must be financially literate, as determined by the Board in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment, and at least one (1) member of the Audit Committee must have accounting or related financial management expertise as determined by the Board in its business judgment. In addition, at least one (1) member of the Audit Committee must meet the definition of "audit committee financial expert" as determined by the Board in its business judgment in accordance with Item 407(d) of Regulation S-K.

#### *Frequency of Committee Meetings*

The Compensation Committee will meet at least two (2) times annually, the Audit Committee will meet at least four (4) times annually and the Nominating and Corporate Governance Committee will meet at least two (2) times annually. In addition, special meetings may be called by the Chairperson of the committee from time to time as determined by the needs of the business. It is the responsibility of the directors to attend the meetings of the committees on which they serve.

#### *Committee Agendas*

The Chairperson of each committee, in consultation with the appropriate members of the committee, will develop his or her committee's agenda.

#### *Committee Self-Evaluations*

Each committee will review its performance and charter and recommend to the Board any changes it deems necessary.

## **Leadership Development**

### *Annual Review of Chief Executive Officer*

The Compensation Committee shall approve the corporate goals and objectives relating to the compensation of the Company's Chief Executive Officer. At the end of each year, the Chief Executive Officer shall make a presentation or furnish a written report to the Compensation Committee indicating his or her progress against such established performance criteria. Thereafter the Compensation Committee shall meet to review the Chief Executive Officer's performance and based on such review shall approve the compensation of the Chief Executive Officer. The results of the review and evaluation shall be communicated to the Chief Executive Officer by the Chairperson of the Compensation Committee or another Board member.

### *Succession Planning*

The Board (or a committee delegated by the Board) will work on a periodic basis with the Chief Executive Officer to evaluate the Company's succession plans upon the Chief Executive Officer's retirement and in the event of an unexpected occurrence.

## **Ethics Helpline**

The Audit Committee will cause the Company to implement, maintain and monitor an ethics helpline that is designed to receive anonymous reports of any known or suspected violations of the Company's Code of Business Conduct or any applicable laws and regulations. The Audit Committee will investigate or cause to be investigated any reports received through the ethics helpline and to the extent material, report to the Board periodically with respect to the information received through the ethics helpline and any related investigations.