ALASKA AIR GROUP, INC.
CORPORATE GOVERNANCE GUIDELINES
As Amended on August 3, 2017

Mission of the Board of Directors. The responsibility of the Company's Board of Directors (the "**Board**") is to review and regularly monitor the effectiveness of the Company's fundamental operating, financial and other business plans, policies and decisions, including the execution of its strategies and objectives. The Board will seek to enhance stockholder value over the long term. In fulfilling its obligations, the Board will consider the interests of its employees, customers, stockholders and the communities in which the Company operates, as well as legal, public policy and ethical standards.

The Board believes that its objectives will be best served by following the fundamental corporate governance principles described in this document and the charters of its various committees. Collectively, these principles reflect the Board's accountability and its desire that the Company achieve superior business results.

1. STRUCTURE OF THE BOARD

1.1 Size. The Board should generally consist of no fewer than 9 and no more than 15 directors. The Board believes that, under normal circumstances, a composition of approximately 10 directors, including the CEO, permits diversity of experience without hindering effective discussion or diminishing individual accountability. However, having a broader range allows the Board to temporarily flex up or down to facilitate a smooth transition between incoming and outgoing members.

1.2 Mix of Inside and Independent Directors. At least 75% of the directors should be independent directors as defined by the Board in accordance with applicable law and NYSE listing standards.

1.2.1 Independent Director Defined. An "**independent director**" means a person who complies with applicable legal, New York Stock Exchange and other requirements as determined by the Board. Specifically, the Board must determine that an independent director meets the following criteria:

An independent director must have no material relationship with the Company, based on all material facts and circumstances. At minimum, an independent director must meet each of the standards listed below.

(a) The director has not, within the last three years, been employed by, and no immediate family member has been an executive officer of, the Company.

(b) Neither the director nor any immediate family member has, in any 12-month period in the last three years, received more than $100,000 in direct compensation from the Company, other than compensation for director or committee service and pension or other deferred compensation for prior service.

(c) (i) Neither the director nor any immediate family member is a current partner of the Company's independent auditor; (ii) the director is not a current employee of the audit firm; (iii) no immediate family member is a current employee of the audit firm working in its audit, assurance or tax compliance practice; (iv) neither the director nor any immediate family member was an employee or partner of the audit firm within the last three years and worked on the Company's audit within that time.

(d) Neither the director nor any immediate family member has, within the last three years, been part of an interlocking directorate. This means that no executive officer of the Company serves on the compensation committee of a company that employs the director or immediate family member.

(e) The director is not currently an employee, and no immediate family member is an executive officer, of another company (i) that represented at least 2% or $1 million, whichever is greater, of the Company's gross revenues, or (ii) of which the Company represented at least 2% or $1 million, whichever is greater, of such other company's gross revenues, in any of the last three fiscal years. Charitable contributions are excluded from this calculation.

For the purposes of these standards, "**Company**" includes all Alaska Air Group subsidiaries and other affiliates. "Immediate family member" includes the director's spouse, domestic partner, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, and anyone sharing the director's home. The members of the Audit Committee, in addition to the foregoing standards, may not (a) receive any compensation other than director's fees for Board and Audit Committee service and permitted retirement pay, or (b) be an "affiliate" of the Company as defined by applicable SEC rule.

Each director's status under this definition should be reviewed annually by the Governance and Nominating Committee. Each director should keep the Governance and Nominating Committee fully and promptly informed as to any developments that might affect the director's independence.

1.2.2 Management Directors. The Company's Chief Executive Officer should be a director and the Board Chairman. However, the Board retains the prerogative to separate or combine these roles at its discretion, especially during a transition of leadership.

1.2.3 Charitable Contributions. Charitable contributions exceeding $100,000 in value (including cash and in-kind contributions) in any calendar year to an organization with which an independent director is affiliated shall be subject to the prior approval of the Governance and Nominating Committee, which shall consider the effect of any such contribution on the applicable director's independence.

1.3 Board Membership Criteria. The Governance and Nominating Committee is responsible for recommending to the Board the skills and characteristics required of Board members, based on the needs of the Company. The committee should assess relevant experience, intelligence, independence, commitment, ability to work with the Chief Executive Officer and within the Board culture, diversity, age, understanding of the Company's business, community involvement/ leadership, specialties or prominence in key markets such as the state of Alaska, and other factors deemed relevant. The Governance and Nominating Committee should confer with the full Board as to the criteria it intends to apply before a search for a new director is commenced.

1.4 Lead Director Criteria. The Governance and Nominating Committee shall consider a director's governance expertise, ability to build consensus, and ability to work with the Chief Executive Officer and Board Chairman. The Committee shall also take into consideration a director's tenure on the Board and prior experience serving as a committee chairman or lead director, either for the Company or other public companies. In addition, the Committee shall consider access to management and the ability to devote a significant amount of time to his or her duties.

1.5 Committee Chairman Criteria. The Governance and Nominating Committee should consider the following criteria when recommending committee chairmen: (1) the chairman of the Compensation and Leadership Development Committee should have relevant knowledge of executive compensation practices; (2) the chairman of the Audit Committee shall be a financial expert as defined by the SEC and NYSE; and (3) the chairman of the Safety Committee should possess knowledge of relevant safety practices.

1.6 New Director Candidates. The Board will nominate new directors only from candidates identified, screened and approved by the Governance and Nominating Committee.

1.7 Orientation. When a new director joins the Board, management will provide an orientation program to enable the new director promptly to gain an understanding of the operations and the financial condition of the Company. An orientation will also be provided for directors as they first join the Audit Committee.

1.8 Directors Who Materially Change Their Job Responsibility. A director should advise the Governance and Nominating Committee, through the Lead Director, of any material change in job responsibility. A director should submit a letter of resignation for consideration by the Board any time s/he leaves any employer, has a diminution of job responsibility, or a change in personal circumstances which might be perceived as compromising his or her ability for continued effective Board service, including the ability to remain current in subject matters relevant to his or her Board role. The Governance and Nominating Committee should review the appropriateness of such director's ongoing Board membership under these circumstances, taking into consideration the director's performance, the uniqueness and importance of the director's contribution to Board deliberations, as well as future employment and community service plans of the director. The Board may accept such resignation if the Governance and Nominating Committee determines that it has become inappropriate for the director to remain on the Board.

1.9 Term of Board Service. Each director will stand for election annually for a one-year term of service. The Governance and Nominating Committee will formally review each director's continuation on the Board as such director's current term ends. To facilitate the addition of new directors to the Board on a regular basis, outside directors elected for the first time in 2012 or later generally will not stand for re-election after they have served for 15 years. The Board retains the right to waive this standard if, in its discretion, circumstances warrant a longer term. In addition, if, in the Board's discretion, changes in strategy, company needs or other circumstances dictate a different mix of expertise among directors, a director's tenure may be less than 15 years.

1.10 Retirement Age. The maximum age for service as a director is 72. A director shall resign from the Board no later than the annual meeting after the director reaches age 72, unless the Governance and Nominating Committee concludes, due to unusual circumstances, that such person's continued service as a director is in the Company's best interest.

1.11 Board Compensation. The Compensation and Leadership Development Committee should report periodically to the full Board about the status of Board compensation in relation to compensation paid by other comparable companies. Director fees and benefits should be based on market practices for comparable companies. A portion of each director's compensation should be in the form of

Company equity. Changes in Board compensation, if any, should be approved by the full Board at the recommendation of the Compensation and Leadership Development Committee.

1.12 Lead Director. The Board has adopted a "lead director" structure. The Lead Director shall be elected by and from the independent board members. The Lead Director shall act as liaison between the Board Chairman and the independent directors and has authority to call a meeting of the independent directors at any time as well as to call a meeting of the full board at any time. The Lead Director's responsibilities are (a) to preside at all meetings where the Board Chairman is not present or where the Board Chairman could be perceived as having a conflict of interest, including but not limited to periodic meetings of non-management directors as described in Section 2.1.3 of these Guidelines; (b) to approve board meeting agendas and meeting schedules to ensure sufficient time for discussion, and to approve information sent to the board members; (c) to lead the non-management directors' annual evaluation of the Chief Executive Officer; (d) to conduct interviews of independent directors annually, including a discussion of each director's self-assessment of his/her contribution, prior to nomination for election at the annual meeting; (e) to discuss any proposed changes to committee assignments with each affected director annually in advance of the Governance and Nominating Committee making its recommendations to the Board; (f) to be available for consultation and direct communication if requested by a major shareholder; and (g) such other duties as may be described in these Guidelines.

1.13 Lead Director and Committee Chairman Rotation. The Governance and Nominating Committee shall review the Lead Director and Committee Chairman assignments at least once every three years, taking into consideration rotation of committee assignments and director succession planning.

1.14 Other Directorships. Directors are encouraged to limit the number of other public boards on which they serve to no more than four, taking into account high expectations for Board attendance, participation and effectiveness on the Board. Directors should also advise the Board Chairman and the Chairman of the Governance and Nominating Committee in advance of accepting an invitation to serve on another board of a public company. No director should serve on the Audit Committee of more than two other public companies unless the Governance and Nominating Committee concludes that, due to unusual circumstances, such service is in the Company's best interest.

2. BOARD PROCEDURAL MATTERS

2.1 Board Meetings.

2.1.1 Agenda. The Board Chairman, after soliciting potential agenda items from other Board members, will establish and distribute in advance the agenda for each Board meeting.

2.1.2 Frequency of Meetings. The Board expects to have at least four regularly scheduled meetings each year. In addition, special meetings may be called from time to time as determined by the needs of the business.

2.1.3 Executive Sessions of Non-Management Directors. Non-management directors will meet in executive session quarterly in conjunction with regularly scheduled Board meetings, and otherwise as needed. The lead director will chair these meetings. These meetings will generally conclude with a discussion with the Chief Executive Officer.

2.1.4 Conflicts of Interest. Board members are required to disclose to the Board (through the Audit Committee) any financial interest or personal interest that he or she has in any contract or transaction that is being considered by the Board (through the Audit Committee) for approval. After such disclosure and responding to any questions the Board may have, the interested director should abstain from voting on the matter and, if appropriate, leave the meeting while the remaining directors discuss and vote on such matter.

2.2 Information Provided to the Board; Communications.

2.2.1 Pre-Meeting. Information that is important to the matters that will be discussed at Board meetings should, if possible, be distributed at least five days in advance of the meeting so that the Board can use its time for substantive discussion.

2.2.2 Between Meetings. The Chief Executive Officer should continue to advise the Board candidly of any significant developments between meetings through a suitable method of communication, including at least one telephone update between Board meetings.

2.3 Counsel and Advisors. In the course of performing their duties, the Board and each of its committees may retain outside legal counsel and other advisors at their discretion and at the expense of the Company.

2.4 Expectations of Directors.

2.4.1 Attendance; Availability. Each director should attend no less than 75% of meetings of the Board and any committee on which he or she serves in a given calendar year. In addition, directors should participate for the duration of the scheduled meeting.

2.4.2 Corporate Opportunities. Directors shall make business opportunities relating to the Company's business available to the Company before pursuing the opportunity for the director's own or another's account. Directors must avoid assuming or retaining board or management positions at other entities that may be deemed by the Board to compete with the Company in one or more aspects of the Company's business and should disclose such opportunities to the General Counsel or Corporate Secretary prior to accepting a board or management position elsewhere.

2.4.3 Stock Ownership Guidelines. The Company expects that directors will act in the Company's best interests regardless of the number of shares they own. However, the Board has established share ownership guidelines for its members. Each nonemployee directors is expected to hold shares of Company stock having an acquisition value equal to three years' cash retainer, such ownership to be achieved within five years of joining the Board.

2.4.4 Pension Plan Benefits. The Company does not extend pension plan benefits to any directors, other than benefits earned while serving as an employee or officer of the Company.

2.4.5 Education. The Board and the Company's management will work together to develop and provide appropriate continuing education programs to assist directors in developing and maintaining skills necessary or appropriate for the performance of their responsibilities.

2.5 Board Evaluations; Assessing the Board's Performance. The Board shall be responsible for annually conducting a self evaluation. The Governance and Nominating Committee shall be responsible for establishing the evaluation criteria and implementing the process for such evaluation.

3. COMMITTEE MATTERS

3.1 Number, Titles and Charters of Committees. The current standing Board Committees are (a) Audit, (b) Governance and Nominating, (c) Compensation and Leadership Development and (d) Safety. Each Committee should review its charter annually, with the assistance of inside or outside counsel and advisers as appropriate, to make certain that it is consistent with then-current sound governance practices and legal requirements.

3.2 **Independence of Committees.** All members of the Audit, Governance and Nominating, Compensation and Leadership Development and Safety Committees will be independent directors.

3.3 **Assignment and Rotation of Committee Members.** The Governance and Nominating Committee is responsible, after consideration of the desires of individual directors and consultation with the Chief Executive Officer, for recommending the assignment of directors to various committees. Each independent director is expected to serve at all times on at least one committee.

3.4 **Chairmen of Committees.** Independent directors shall chair all standing Board committees. The Board shall select chairmen upon recommendation by the Governance and Nominating Committee. Each committee chairman should normally have had previous service on the applicable committee.

3.5 **Committee Agenda.** Each committee chairman, in consultation with the appropriate members of the committee and management, will develop the committee's agenda.

3.6 **Minutes and Reports.** Each committee shall keep and distribute to the Board minutes of every committee meeting or action. Each committee will report regularly to the Board on substantive matters considered by the committee.

3.7 **Executive Sessions.** Committees should regularly have opportunities to meet in executive session.

3.8 **Committee Evaluations.** Each committee shall be responsible for annually conducting a self evaluation and reporting the results to the full Board. Each committee shall be responsible for establishing the evaluation criteria and implementing the process for such evaluation.

4. MANAGEMENT DEVELOPMENT MATTERS; SUCCESSION PLANNING

4.1 **Evaluation and Compensation of the Chief Executive Officer and Other Company Executive Officers.** The Compensation and Leadership Development Committee should develop with the Chief Executive Officer and discuss with the Board a process by which and appropriate criteria upon which the Chief Executive Officer's and other Company executive officers' compensation and performance will be evaluated annually. The Compensation and Leadership Development Committee will have the sole authority to determine the CEO's compensation level based on these evaluations. The Compensation and Leadership Development Committee should meet in executive session to discuss the Chief Executive Officer's compensation in light of his or her overall performance, and in sessions in which the Chief Executive Officer participates, but does not vote, in order to discuss the compensation and overall performance of other Company executive officers. Based upon the criteria developed with the Compensation and Leadership Development Committee, the independent directors of the Board will evaluate the CEO's performance annually.

4.2 **Policy Concerning Stockholder Advisory Vote on Executive Compensation**. Effective at the Company's 2010 annual meeting of stockholders, the Board will give stockholders the opportunity to vote at each annual meeting of stockholders on an advisory resolution to ratify the compensation of the named executive officers set forth in the Summary Compensation Table included in the Company's proxy statement for such annual meeting and the accompanying narrative disclosure of material factors provided to understand the Summary Compensation Table (but not including the Compensation Discussion and Analysis). The vote of the stockholders required by this policy will be advisory only, will not be binding on the Board or any of its committees and will not affect any compensation paid or awarded to any of the named executive officers.

4.3 **Succession Planning.** The Chief Executive Officer should report annually to the Board on CEO succession and management development and succession planning.

5. OTHER MATTERS

5.1 **Policy Against Company Loans.** Neither the Company nor any of its subsidiaries shall provide loans, loan guarantees, or otherwise directly or indirectly extend credit to any executive officer of the Company, or any director of the Company. Payment or reimbursement for expenses is permitted under this policy.

5.2 **Insurance, Indemnification and Limitation of Liability.** The Company may purchase directors' and officers' liability insurance as is reasonable under the circumstances, indemnify directors to the fullest extent permitted by law and the Company's Certificate of Incorporation or Bylaws and any indemnification agreements, and otherwise release or protect directors from liability to the extent provided by law and the Company's Certificate of Incorporation and Bylaws.

5.3 **Policy Concerning Stockholder Rights Plan.** A Stockholder Rights Plan refers generally to any plan providing for the distribution of preferred stock, rights, warrants, options or debt instruments to a company's stockholders designed to deter non-negotiated takeovers.

The Company does not have a Stockholder Rights Plan. The Board's policy is that it will adopt a Stockholder Rights Plan only if either (1) the stockholders have approved adoption of the Stockholder Rights Plan, or (2) the Board in the exercise of its fiduciary responsibilities, including a majority of the independent members of the Board, makes a determination that, under the circumstances existing at the time, it is in the best interests of the Company's stockholders to adopt a Stockholder Rights Plan. If the Board were to adopt a Stockholder Rights Plan without prior stockholder approval, it would submit the Plan to stockholders for ratification, and if the Plan is not ratified, it would terminate or allow the Plan to expire no later than one year after its adoption.

The Board has directed the Governance and Nominating Committee to review this policy statement periodically and to report to the Board any recommendations it may have concerning the policy.

5.4 Policy Concerning Confidential Stockholder Voting. All proxies, ballots and other voting materials or compilations (collectively, "**Voting Records**") that identify the vote of a particular stockholder shall be kept permanently confidential and shall not be disclosed to directors, officers or employees of the Company, except (i) to allow the tabulator of the vote to tabulate and certify the vote, (ii) to comply with federal or state law, including the order of any court, department or agency having jurisdiction over the Company, and to assert or defend claims for or against the Company, (iii) in connection with a contested proxy solicitation, (iv) in the event a stockholder has made a written comment on a proxy card or ballot, or (v) if a stockholder expressly requests or consents to disclosure of his or her vote. In any event, the tabulator of the vote may report to the Company the aggregate number of shares voted with respect to any matter and whether (but not how) a stockholder has voted and shall report to the Company any written comments on any Voting Records, including the names and addresses of the stockholders making the comments.

5.5 Amendments of Guidelines; Non-Binding Nature. The Governance and Nominating Committee will review these Guidelines periodically to ensure that they remain suitable for the needs of the Company. The Governance and Nominating Committee will recommend needed changes to the Board. Any such changes shall be approved by a majority of independent directors. These guidelines are not intended to change or interpret any law or regulation, or the Certificate of Incorporation or Bylaws of the Company, and in the event of any conflict with these guidelines, the Certificate of Incorporation, Bylaws or applicable law will control. The foregoing are guidelines only, and the use of words such as "should," "shall" and "will" are expressions of intent and should not be taken as mandatory except where required by applicable law or the Company's Certificate of Incorporation or Bylaws.

[END OF CORPORATE GOVERNANCE GUIDELINES]