

# **Compensation Committee Charter**

## **Committee Membership**

The Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Sunstone Hotel Investors, Inc. (the “Company”) shall consist solely of two or more members of the Board, (a) each of whom the Board has determined is a “non-employee director” within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, as amended (the “Act”) and (b) each of whom is otherwise “independent” under the rules of the New York Stock Exchange, Inc. (the “NYSE”) and Section 952 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Members shall be appointed by the Board based on nominations recommended by the Company’s Nominating and Corporate Governance Committee. Members shall serve at the pleasure of the Board and for such term or terms as the Board may determine.

## **Committee Purpose and Responsibilities**

The Committee shall have the purpose and direct responsibility to:

1. Obtain information on market trends in executive compensation and review the competitiveness of the Company’s executive compensation programs to ensure (a) the attraction and retention of executive officers, (b) the motivation of executive officers to achieve the Company’s business objectives, and (c) the alignment of the interests of executive officers with the long-term interests of the Company’s stockholders.
2. Obtain information on market trends in director compensation and determine the amount of compensation that directors shall receive for any service or activity they perform or engage in as directors.
3. Review and approve corporate goals and objectives relevant to the compensation of the Company’s Chief Executive Officer (“CEO”) and other executive officers, evaluate CEO and executive officer performance in light of those goals and objectives and, either as a committee or together with the other independent directors (as directed by the Board), determine and approve all compensation of the CEO and executive officers based on this evaluation. In determining the long-term incentive component of such compensation, the Committee shall consider, among other factors, the Company’s performance and relative shareholder return, the value of similar incentive awards to executive officers at comparable companies, and the awards given to the Company’s executive officers in past years.
4. Periodically and as and when appropriate, review and approve the following as they affect the CEO and executive officers: (a) any employment agreements and severance arrangements; (b) any change-in-control agreements and change-in-control provisions affecting any elements of compensation and benefits; and (c) any special or supplemental compensation and benefits for the CEO and executive officers and individuals who formerly served as CEO and executive officers, including supplemental retirement benefits and the perquisites provided to them during and after employment.

5. Oversee the Company's compliance with the requirements under the applicable Securities and Exchange Commission ("SEC") and NYSE rules providing for shareholder votes on compensation matters and approval of equity compensation plans (the "Plans"). The Committee has full authority to administer the Plans (except to the extent the terms of a Plan require administration by the full Board), and to make grants of cash-based and equity-based awards under the Plans. Subject to shareholder approval, or otherwise required by the Act, the Internal Revenue Code of 1986, as amended (the "Code") or other applicable law, approve any new equity compensation plan or any material change to an existing plan.
6. Administer and oversee the Company's compliance with the compensation recovery policy required by applicable SEC and NYSE rules.
7. Make recommendations to the Board with respect to any severance or similar termination payments proposed to be made to any current or former member of senior management of the Company and any claw-back provisions.
8. Supervise the compensation policies applicable to all employees of the Company, including periodic reviews of the adequacy of the Company's compensation structure, performance review procedures, employee turn-over and retention and other human resources issues, and receive periodic reports on the Company's compensation programs as they affect all employees.
9. Review periodic reports from management on matters relating to the Company's demographics, talent management and practices, and the Company's employee engagement initiatives.
10. Oversee the succession planning as it relates to the CEO and executive officers.
11. Review and discuss with the management of the Company the Compensation Discussion and Analysis ("CD&A"), and based on such discussions, determine whether to recommend to the Board that the CD&A be included in the Company's annual proxy statement and/or on Form 10-K.
12. Prepare an annual Compensation Committee Report for inclusion in the Company's annual proxy statement in accordance with applicable SEC rules and regulations.
13. Prepare and issue the evaluation required under "Performance Evaluation" below.
14. Report to the Board on a regular basis, and not less than once per year.
15. Perform any other duties or responsibilities expressly delegated to the Committee by the Board from time to time relating to the Company's compensation programs.

#### Committee Structure and Operations

The Committee, in conjunction with the Nominating and Corporate Governance Committee, shall designate one member of the Committee as its chairperson. The chairperson (or in his or her absence, a member designated by the chairperson) shall preside at each meeting of the Committee and set the agendas for Committee meetings. The Committee shall meet at least once a year at a time and place determined by the

Committee chairperson, with further meetings to occur, or actions to be taken by unanimous written consent, when deemed necessary or desirable by the Committee or its chairperson. Members of the Committee may participate in a meeting of the Committee by means of a conference telephone, video or similar communications equipment if all persons participating in the meeting can hear each other at the same time. A majority of the members of the Committee shall constitute a quorum. The Committee shall act on the affirmative vote of a majority of members present at a meeting at which a quorum is present.

The Committee may invite such members of management to its meetings as it deems appropriate, consistent with the maintenance of the confidentiality of compensation discussions. The CEO should not attend any meeting where the CEO's performance or compensation is discussed.

#### Delegation to Subcommittee

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee (including a subcommittee consisting of a single member). In particular, the Committee may delegate the approval of certain transactions to a subcommittee consisting solely of members of the Committee who are "Non-Employee Directors" for the purposes of Rule 16b-3 under the Act, as in effect from time to time.

#### Performance Evaluation

The Committee shall conduct and review with the Board an annual performance evaluation of the Committee in accordance with the requirements of the NYSE and SEC, which evaluation shall also compare the performance of the Committee with the requirements of this charter. The performance evaluation shall also recommend to the Board any improvements to the Committee's charter deemed necessary or desirable by the Committee. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate. The report to the Board may take the form of an oral report by the chairperson of the Committee or any other member of the Committee designated by the Committee to make this report.

#### Resources and Authority of the Committee

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, without seeking approval of the Board or management. In connection with retaining any compensation consultant, the Committee shall take into account the factors set forth in Rule 10 of the Act and applicable exchange rules in determining whether the consultant is independent. With respect to compensation consultants retained to assist in the evaluation of director, CEO or senior executive compensation, this authority shall be vested solely in the Committee.