

SUN MICROSYSTEMS, INC.
LEADERSHIP DEVELOPMENT AND COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS

LEADERSHIP DEVELOPMENT AND COMPENSATION
COMMITTEE CHARTER

(November 13, 2003)

PURPOSE:

The purpose of the Leadership Development and Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Sun Microsystems, Inc. (the “Company”) shall be to discharge the Board's responsibilities relating to compensation of the Company's Section 16b officers (the “Executive Officers”), and to administer the Company's stock plans and U.S. Non-Qualified Deferred Compensation Plan. The Committee has overall responsibility for approving and evaluating the Executive Officers' compensation plans, policies and programs of the Company. The Committee will also review and provide input to the executive and leadership development policies, plans and practices that support Sun's ability to develop and retain the superior executive and leadership talent required to deliver against our short and long term business strategies.

The Committee is also responsible for producing an annual report on executive compensation for inclusion in the Company's proxy statement.

COMMITTEE MEMBERSHIP AND ORGANIZATION:

The Committee will be appointed by and will serve at the discretion of the Board on the recommendation of the Corporate Governance and Nominating Committee. The Committee shall consist of no fewer than three members. All Committee members shall meet the independence requirements of Rule 4200(A)(15) of the NASDAQ Marketplace Rules and the non-employee director definition of Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended. At least two Committee members will also qualify as outside directors as defined under Section 162(m) of the Internal Revenue Code of 1986, as amended.

COMMITTEE RESPONSIBILITIES AND AUTHORITY:

- The Committee shall review and approve for the CEO and the Executive Officers of the Company (a) base salary, (b) incentive bonus, including the specific goals and amount, (c) equity compensation, (d) employment agreements, severance

arrangements, and change in control agreements/provisions, and (e) any other Executive Officer-only benefits, compensation or material arrangements with respect to their employment.

- The Committee shall approve all stock option grants to VP and above level employees.
- The Committee shall approve the annual incentive bonus plans for all of the Company's employees.
- The Committee will administer the Company's stock plans. On an annual basis the Committee will approve an equity compensation allocation plan covering all eligible employees. This plan shall include guidelines as to the recommended size and vesting of grants by employee classification or job level.
- The Committee shall approve the Company's annual compensation strategy, including annual compensation budget and planned merit increase percentage.
- The Committee will administer the U.S. Non Qualified Deferred Compensation Plan and certain other compensation plans established by the Company for Executive Officers.
- The Committee will periodically review the senior management succession plan, including all Executive Officer positions. The Committee will review strategies to accelerate the readiness of candidates identified for these positions, and review an overall assessment of executive talent at the VP level. The Committee will also review other leadership and management processes upon request.
- The Committee may form and delegate authority to subcommittees when appropriate.
- The Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board of Directors.
- The Committee shall make regular reports to the Board.
- The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
- The Committee shall annually review its own performance against the responsibilities outlined in this charter and as otherwise established by the Board.
- The Committee shall have the authority to retain and terminate compensation consultants to be used by the Company to assist in the evaluation of CEO or Executive Officer compensation and shall have authority to approve the consultants' fees and other retention terms. The Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

- The Committee will provide a report in the Company's proxy statement in accordance with the rules and regulations of the SEC.