

**STARWOOD HOTELS & RESORTS WORLDWIDE, INC.**  
**AND**  
**STARWOOD HOTELS & RESORTS**

**CHARTER OF THE**  
**COMPENSATION AND OPTION COMMITTEES**  
**OF THE**  
**BOARD OF DIRECTORS**  
**AND**  
**THE BOARD OF TRUSTEES**

The Board of Directors of Starwood Hotels & Resorts Worldwide, Inc. (the “Corporation”) and the Board of Trustees (together with the Board of Directors of the Corporation, the “Board”) of Starwood Hotels & Resorts (the “Trust” and together with the Corporation, “Starwood”) have established Compensation and Option Committees. To define the responsibilities and operations of the Compensation and Option Committees, the Board has unanimously adopted this Charter (this “Charter”), which sets forth the purposes, composition and responsibilities and duties of the Compensation and Option Committees.

The purposes and procedures outlined in this Charter are meant to serve as guidelines rather than inflexible rules, and the Compensation and Option Committees are encouraged to adopt such additional procedures and standards as they deem necessary from time to time to fulfill their responsibilities. Nothing herein is intended to expand applicable standards of liability under state or federal law for directors of corporations or trustees of trusts.

**Purpose**

The primary purpose of each Compensation and Option Committee is to:

- review and approve corporate goals and objectives relevant to the Chief Executive Officer’s (“CEO’s”) compensation, evaluate the CEO’s performance in light of those goals and objectives, and either as a committee or together with the other independent directors or trustees (as directed by the Board), determine and approve the CEO’s compensation level based on this evaluation;
- oversee and approve compensation programs that are designed to (i) attract and retain executives that are consistent with (a) Starwood’s overall business strategies, values, performance and financial condition and (b) the achievement of individual performance goals; and (ii) align financial interests of executives with those of the stockholders of Starwood; and

- produce a report on executive compensation as required by the SEC for inclusion in the Corporation's annual report on Form 10-K or proxy statement.

The Compensation and Option Committees shall perform such activities in a manner consistent with this Charter, the Corporation's Bylaws and Articles of Incorporation, the Trust's Bylaws and Declaration of Trust, governing law and the rules of any national securities exchange on which Starwood's securities are listed.

### **Composition**

The Compensation and Option Committees shall be comprised of not less than three directors or trustees as determined by the Board. Each member of the Committees shall meet the independence requirements of The New York Stock Exchange, Inc. and any other securities exchange on which Starwood's securities are traded and shall be an "Outside Non-Management Director" or "Outside Non-Management Trustee", as applicable, as defined on the attached Exhibit A.

The members of the Committee shall be elected by the Board at its annual organizational meeting and shall serve on the Committee until the next annual organizational meeting or until their successors shall be duly elected and qualified, or their earlier death, disability, resignation, or removal by the Board, with or without cause. If not designated by the Board, the members of the Committee shall designate a Chairman by majority vote of the full Committee membership.

### **Meetings**

The Compensation and Option Committees shall meet at least two times annually, and more frequently as circumstances dictate. The Secretary of Starwood or another person designated by the Committees shall take minutes at each meeting of the Committees. The minutes shall be included in the permanent minute books of Starwood.

### **Responsibilities and Duties**

The Compensation and Option Committees shall have the following responsibilities and duties:

1. Ensure that Starwood's executive compensation programs (i) support overall business strategy and objectives; (ii) attract and retain key executives; (iii) link compensation with business objectives and organizational performance; and (iv) provide competitive compensation opportunities;
2. Review from time to time and approve Starwood's compensation strategy to ensure that executives are rewarded appropriately for their contributions to Starwood's growth and profitability and that the executive compensation strategy supports organization objectives and stockholder interests;

3. Assure that Starwood's executive compensation programs, including the Long Term Incentive Plan, are administered in a manner consistent with Starwood's compensation strategy as to participation, target annual incentive awards, corporate financial goals, actual awards paid and total funds reserved for payment under the compensation plans;
4. Act on behalf of the Board in administering compensation plans approved by the Board or stockholders in a manner consistent with the terms of such plans;
5. Review annually and determine the individual elements of total compensation for the CEO and other executives and communicate in the Committee's Report included in the Proxy Statement or Form 10-K the elements of Starwood's executive compensation program and factors and criteria on which the CEO's compensation for the last year was based;
6. Review and approve corporate goals and objectives relevant to the CEO's compensation, evaluate his performance in light of those goals and objectives and set a compensation level based on this evaluation;
7. In determining the long-term incentive component of the CEO's compensation, the Committees should consider Starwood's performance and relative shareholder return, the value of similar incentive awards to chief executive officers at comparable companies, and the awards given to the CEO of Starwood in past years;
8. Review the outside directors' and trustees' compensation program periodically and recommend changes as appropriate to the Board;
9. Oversee the development of new compensation plans and the revision of old plans;
10. Hire legal counsel and consultants in the field of executive compensation to advise and/or assist the Committees with regard to any of the above, when the Committees deem such advice or assistance appropriate and have the sole authority to approve the fees to be paid to such legal counsel and consultants along with any other retention terms;
11. Report regularly to the Board with respect to any matters that are relevant to the Committees' discharge of their responsibilities, including, when appropriate, discussing the CEO's compensation with the Board generally;
12. Conduct an annual self-assessment of the Committees; and
13. Review this Charter periodically and recommend changes to this Charter to the Board, as appropriate.

The term “executive” refers to all members of the Corporation’s Senior Operating Committee, which includes those officers of Starwood who are subject to Section 16 of the Securities Exchange Act of 1934, as amended.

The CEO of Starwood is given full authority, which may be delegated, to establish the compensation and salary ranges for all other employees of Starwood whose salaries are not subject to approval by the Compensation and Option Committees.

Dated as of February 27, 2004

## **Exhibit A**

### **DEFINITION OF OUTSIDE NON-MANAGEMENT DIRECTOR AND TRUSTEE**

- (a) Outside non-management directors and trustees shall neither be current members of senior management of either Starwood or any of its affiliates, nor, within the five years preceding election to the Board, former members of the senior management of Starwood or any of its affiliates;
- (b) Outside non-management directors and trustees shall not have any business or professional relationship with Starwood either personally or through a company of which the director or trustee is an officer or controlling shareholder that is material to Starwood or to the director or trustee, unless the Corporate Governance Committee specifically determines that the relationship in question does not interfere with the director's or trustee's exercise of independent judgment;
- (c) Outside non-management directors and trustees shall not have any close family relationship (by blood or marriage) with a member of senior management of Starwood or one of its affiliates;
- (d) Outside non-management directors and trustees shall not be senior officers of a company upon the board of which Starwood's Chairman or Chief Executive Officer serves as a member of that board's executive or compensation committee;
- (e) Outside non-management directors and trustees shall not receive any compensation from Starwood, other than in such director's or trustee's capacity as a board member, that is material to that director or trustee unless the Corporate Governance Committee both approves the arrangement and determines that the compensation does not interfere with the director's or trustee's exercise of independent judgment;
- (f) Outside non-management directors and trustees shall not personally receive from or be an employee of a foundation, university, or other institution that receives grants or endowments from Starwood that are material either to Starwood, the director or trustee, or institution, unless the Corporate Governance Committee, on an annual basis, makes a determination that the grant or endowment has not interfered with that director's or trustee's exercise of independent judgment and Starwood disclosed the grant or endowment in its proxy materials;
- (g) With respect to (a) through (f) above, and as otherwise used below, a "non-management" director and trustee means a director or trustee who is not a current employee of Starwood;

- (h) With respect to (a) through (f) above, and as otherwise used below, an “affiliate” of Starwood shall have the same meaning as that set forth in NYSE Rule 303.02(B); and
- (i) With respect to (a) through (f) above, and as otherwise used herein, the term “senior management” refers to Starwood’s Executive Chairman, Chief Executive Officer; Chief Operating Officer, Chief Financial Officer, General Counsel, Chief Accounting Officer and Treasurer.