

# STRATEGIC HOTELS & RESORTS, INC.

## CORPORATE GOVERNANCE GUIDELINES

### I. Introduction

The Board of Directors (the “Board”) of Strategic Hotels & Resorts, Inc. (the “Company”), acting on the recommendation of its Corporate Governance and Nominating Committee, has developed and adopted a set of corporate governance principles (the “Guidelines”) to promote the functioning of the Board and its committees and to set forth a common set of expectations as to how the Board should perform its functions.

### II. Board Composition

The composition of the Board should balance the following goals:

- The size of the Board should facilitate substantive discussions of the whole Board in which each director can participate meaningfully;
- The composition of the Board should encompass a broad range of skills, expertise, industry knowledge, diversity of opinion and contacts relevant to the Company’s business;
- A majority of the Board shall consist of directors who the Board has determined have no material relationship with the Company and who are otherwise “independent” under the rules of the New York Stock Exchange, Inc. (the “NYSE”).

### III. Selection of Chairman of the Board and Chief Executive Officer; Board Leadership

The Board is free to select its Chairman and the Company’s Chief Executive Officer (the “CEO”) in the manner it considers in the best interests of the Company at any given point in time. These positions may be filled by one individual or by two different individuals.

In the event the Board makes a determination that it is in the best interests of the Company for a non-independent Board member to serve as Chairman, the independent members of the Board, after consulting with all members of the Board, shall elect an independent director to serve as Lead Director, with the following duties and responsibilities: Preside at all meetings of the Board at which the Chairman is not present, including executive sessions of non-management or independent directors; call meetings of the independent or non-management directors; serve as the principal liaison between the Chairman and the independent and non-management directors; approve meeting agendas for the Board; facilitate the Board’s approval of the number and

frequency of Board meetings and meeting schedules, assuring there is sufficient time for discussion of all agenda items; authorize the retention of outside advisors and consultants who report directly to the Board on Board-wide issues; be available, when appropriate, for consultation and direct communication upon the reasonable request of major shareholders; organize and lead the Board's evaluation of the Chief Executive Officer; be responsible for leading the Board's annual self-assessment; provide advice with respect to the selection of committee chairs; and perform such other duties as the Board may from time to time delegate to assist the Board in the fulfillment of its responsibilities.

#### **IV. Selection of Directors**

*Nominations.* The Board is responsible for selecting the nominees for election to the Board. The Company's Corporate Governance and Nominating Committee is responsible for recommending to the Board a slate of directors or one or more nominees to fill vacancies occurring between annual meetings of stockholders.

*Criteria.* The Board should, based on the recommendation of the Corporate Governance and Nominating Committee, select new nominees for the position of independent director considering the following criteria:

- Personal qualities and characteristics, accomplishments and reputation in the business community;
- Current knowledge and contacts in the communities in which the Company does business and in the Company's industry or other industries relevant to the Company's business;
- Ability and willingness to commit adequate time to Board and committee matters;
- The fit of the individual's skills and personality with those of other directors and potential directors in building a Board that is effective, collegial and responsive to the needs of the Company; and
- Diversity of viewpoints, background, experience and other demographics.

*Invitation.* The invitation to join the Board should be extended by the Board itself via the Chairman of the Board and CEO of the Company, together with an independent director, when deemed appropriate.

*Orientation and Continuing Education.* Management, working with the Board, will provide an orientation process for new directors, including background material on the Company, its business plan and its risk profile, and meetings with senior management. Periodically, management should prepare additional educational sessions for directors on matters relevant to the Company, its business plan and risk profile.

## **V. Election Term**

Our directors will serve one-year terms and thus be subject to election annually. The Board does not believe it should establish term limits.

## **VI. Retirement of Directors**

The Board believes that it should not establish a mandatory retirement age because doing so is not the best way to maximize the effectiveness of the Board in carrying out its oversight function.

## **VII. Board Meetings**

The Board currently plans at least four meetings each year, with further meetings to occur (or action to be taken by unanimous consent) at the discretion of the Board. The meetings will usually consist of committee meetings and the Board meeting.

The agenda for each Board meeting will be prepared by the Secretary. Management will seek to provide to all directors an agenda and appropriate materials in advance of meetings, although the Board recognizes that this will not always be consistent with the timing of transactions and the operations of the business and that in certain cases it may not be possible.

Materials presented to the Board or its committees should be as concise as possible, while still providing the desired information needed for the directors to make an informed judgment.

## **VIII. Executive Sessions**

To ensure free and open discussion and communication among the non-management directors of the Board, the non-management directors will meet in executive sessions periodically, with no members of management present. Unless a Lead Director is elected in accordance with Section III hereof, the non-management directors shall designate the director who will preside at the executive sessions. Non-management directors who are not independent under the rules of the NYSE may participate in these executive sessions, but independent directors should meet separately in executive session at least once per year without members of management or the non-independent directors present.

## **IX. The Committees of the Board**

The Company shall have at least the committees required by the rules of the NYSE. Currently, these are the Audit Committee, the Compensation Committee and a nominating/corporate governance committee, which in the Company is called the Corporate Governance and Nominating Committee. Each of these three committees must have a written charter satisfying the rules of the NYSE. The Audit Committee must also satisfy the requirements of SEC Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

All directors, whether members of a committee or not, are invited to make suggestions to a committee chair for additions to the agenda of his or her committee or to request that an item from a committee agenda be considered by the Board. Each committee chair will give a periodic report of his or her committee's activities to the Board.

Each of the Corporate Governance and Nominating Committee, the Audit Committee and the Compensation Committee shall be composed of at least three directors who the Board has determined have no material relationship with the Company, who are otherwise "independent" under the rules of the NYSE and, in the case of the Audit Committee, who satisfy the additional eligibility requirements of Rule 10A-3 under the Exchange Act. The required qualifications for the members of each committee shall be set out in the respective committees' charters. A director may serve on more than one committee for which he or she qualifies.

#### **X. Management Succession**

At least annually, the Board shall review and concur in a succession plan, developed by management, addressing the policies and principles for selecting a successor to the CEO, both in an emergency situation and in the ordinary course of business. The succession plan should include an assessment of the experience, performance, skills and planned career paths for possible successors to the CEO.

#### **XI. Executive Compensation**

1. *Evaluating and Approving Salary for the CEO.* The Board, acting through the Compensation Committee, evaluates the performance of the CEO and the Company against the Company's goals and objectives and, acting through the independent directors, upon advice or with the assistance of the compensation committee, approves the compensation level of the CEO.

2. *Evaluating and Approving the Compensation of Management.* The Board, acting through the Compensation Committee, evaluates and approves the proposals for overall compensation policies applicable to members of senior management.

#### **XII. Board Compensation**

The Board should conduct a review annually of the components and amount of Board compensation in relation to other similarly situated companies. Board compensation should be consistent with market practices but should not be set at a level that would call into question the Board's objectivity.

#### **XIII. Expectations of Directors**

The business and affairs of the Company shall be managed by or under the direction of the Board in accordance with Maryland law. A director is required to perform his duties in good faith, in a manner he reasonably believes to be in the corporation's best interests and with the care of an ordinarily prudent person in a like

position under similar circumstances. The Board has developed a number of specific expectations of directors to promote the discharge of this responsibility and the efficient conduct of the Board's business.

1. *Commitment and Attendance.* All independent and management directors should make every effort to attend meetings of the Board and meetings of committees of which they are members. Members may attend by telephone or video conference to mitigate conflicts.

2. *Participation in Meetings.* Each director should be sufficiently familiar with the business of the Company, including its financial statements and capital structure, and the risks and competition it faces, to facilitate active and effective participation in the deliberations of the Board and of each committee on which he or she serves. Upon request, management will make appropriate personnel available to answer any questions a director may have about any aspect of the Company's business. Directors should also review the materials provided by management and advisors in advance of the meetings of the Board and its committees and should arrive prepared to discuss the issues presented.

The Company has adopted a Code of Business Conduct and Ethics, including a compliance program to enforce the Code. Certain portions of the Code deal with activities of directors, particularly with respect to transactions in the securities of the Company, potential conflicts of interest, the taking of corporate opportunities for personal use, and competing with the Company. Directors should be familiar with the Code's provisions in these areas and should consult with the Company's counsel in the event of any issues.

3. *Other Directorships.* The Company values the experience directors bring from other boards on which they serve, but recognizes that those boards may also present demands on a director's time and availability and may present conflicts or legal issues. Directors should advise the chair of the Corporate Governance and Nominating Committee and the CEO before accepting membership on other boards of directors or other significant commitments involving affiliation with other businesses or governmental units.

4. *Contact with Management.* All directors are invited to contact the CEO at any time to discuss any aspect of the Company's business. Directors also have complete access to other members of management. The Board expects that there will be frequent opportunities for directors to meet with the CEO and other members of management in Board and committee meetings and in other formal or informal settings.

Further, the Board encourages management to, from time to time, bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement and substantial knowledge in those areas, and/or (b) are managers with future potential that the senior management believes should be given exposure to the Board.

5. *Contact with Other Constituencies.* It is important that the Company speak to employees and outside constituencies with a single voice, and that management serve as the primary spokesperson.

6. *Confidentiality.* The proceedings and deliberations of the Board and its committees are confidential. Each director shall maintain the confidentiality of information received in connection with his or her service as a director.

#### **XIV. Evaluating Board Performance**

The Board, acting through the Corporate Governance and Nominating Committee, should conduct a self-evaluation at least annually to determine whether it is functioning effectively. The Corporate Governance and Nominating Committee should periodically consider the mix of skills and experience that directors bring to the Board to assess whether the Board has the necessary tools to perform its oversight function effectively.

Each committee of the Board should conduct a self-evaluation at least annually and report the results to the Board, acting through the Corporate Governance and Nominating Committee. Each committee's evaluation must compare the performance of the committee with the requirements of its written charter, if any.

#### **XV. Reliance on Management and Outside Advice**

In performing its functions, the Board is entitled to rely on the advice, reports and opinions of management, counsel, accountants, auditors and other expert advisors. The Board shall have the authority to retain and approve the fees and retention terms of its outside advisors.

#### **XVI. Communications to Board of Directors**

The Company has adopted procedures for employees, shareholders and other interested parties to communicate concerns regarding accounting, internal accounting controls or auditing matters to the Audit Committee and other matters to either non-management directors or the entire Board as a group. The Company's process for these communications is as follows:

1. Any communication that an employee, shareholder or other interested party desires to send should be in the form of written correspondence addressed and mailed to: Strategic Hotels & Resorts, Inc., 200 West Madison, Suite 1700, Chicago, IL 60606, Attn. General Counsel;

2. The communication should indicate whether it is intended for the Audit Committee, the non-management directors or the entire Board;

3. The General Counsel will forward all such correspondence to the Audit Committee, the non-management directors or the entire Board, as addressed, who will determine what action, if any, will be taken concerning the correspondence and its contents. However, depending on the length and number of communications received, the General Counsel may provide only a summary of the communications along with the original copy or record of any communications deemed particularly important.

#### **XVII. Stockholder Rights Plan Policy**

The Board will submit for stockholder approval any stockholder rights plan; provided, however, if the Board concludes that it would be detrimental to the best interests of the Corporation and its stockholders to defer the effectiveness of a stockholder rights plan until stockholder approval of the plan can be obtained, then the Board may implement such stockholder rights plan prior to obtaining stockholder approval. In such a case, the Board will submit the stockholder rights plan to stockholders for approval within one year of the adoption of the stockholder rights plan.

#### **XVIII. Resignation Policy**

Pursuant to the Company's bylaws, directors are elected by a plurality of the votes cast at a meeting of stockholders. Notwithstanding the foregoing, in an Uncontested Election (as defined below), any nominee for director who receives a greater number of votes "withheld" from his or her election than votes "for" such election shall, promptly following certification of the stockholder vote, tender his or her resignation to the Board with such resignation expressly stating that it is contingent upon the acceptance of the resignation by the Board in accordance with these Guidelines.

The Corporate Governance and Nominating Committee shall consider such tendered resignation and recommend to the Board whether to accept or reject the tendered resignation, or whether other action should be taken. The Board shall act on the tendered resignation, taking into account the committee's recommendation, and publicly disclose its decision regarding the tendered resignation and, if such tendered resignation is rejected, the rationale behind the decision, within ninety (90) days following certification of the stockholder vote. The committee in making its recommendation, and the Board in making its decision, each may consider any factors and other information that they consider appropriate and relevant, including as a principal factor whether the issue(s) that caused the high withhold/against vote have been or will be addressed. Notwithstanding the foregoing, to the extent a director has received a greater number of votes "withheld" from his or her election than votes "for" such election in an Uncontested Election in two consecutive elections, the Board shall accept such tendered resignation. The director who has tendered his or her resignation pursuant to these Guidelines shall not participate in the committee's or the Board's deliberations or decision with respect to the tendered resignation, but shall remain active and engaged in all other committee deliberations and decisions pending completion of the committee and Board process. If a majority of the members of the Corporate Governance and Nominating Committee are required to tender resignations pursuant to this provision following any election, then the independent directors who are on the Board who are not required to tender resignations

will appoint a Board committee amongst themselves solely for the purpose of considering the tendered resignations and making a recommendation to the Board. And, if the only directors who are not required to tender resignations pursuant to this provision following any election constitute three or fewer directors, then all directors may participate in the Board action regarding whether to accept the tendered resignations. If it is determined that the Board will accept a tendered resignation, then the Board will promptly begin a search for a replacement for a director who has resigned; provided, however, that at any time the Board may conclude not to replace a director who has resigned.

For purposes of these Guidelines, an “Uncontested Election” means an election at a meeting where the number of nominees is equal to or less than the number of directors to be elected at the meeting.

*Adopted by Resolution of the Board of Directors  
June 28, 2004*

*Amended – December 5, 2012*

*Amended – May 19, 2013*

*Amended – March 5, 2014*