

**DiamondRock Hospitality Company**  
**Guidelines on Significant Governance Issues**  
**(Last Reviewed on April 28, 2010)**

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## **DiamondRock Hospitality Company**

### **Guidelines on Significant Governance Issues**

The responsibility of the Board of Directors (the “**Board**”) of DiamondRock Hospitality Company (the “**Company**”) is to review, approve 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.

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 demonstrate the Board's accountability and its desire that the Company achieve superior business results.

In fulfilling its obligations, the Board will consider legal, public policy and ethical standards, the interests of its stockholders and, as appropriate, the interest of its debt-holders, customers, employees, suppliers and the communities in which the Company operates.

These guidelines are not intended to change or interpret any law or regulation, or the Articles of Incorporation or Bylaws of the Company.

#### **1. STRUCTURE OF THE BOARD**

**1.1. Size.** The Board believes that it should generally consist of no fewer than 5 directors. The exact number shall be established by the Board. The size of the Board should permit diversity of experiences without hindering the effective discussion or diminishing individual accountability.

**1.2. Mix of Inside and Independent Directors.** In accordance with applicable legal and stock exchange requirements, the Board must be composed of a majority of independent directors.

**1.2.1. Independent Director Defined.** An "independent director" means a person who fully complies with applicable legal and stock exchange requirements for serving as such, as determined by the Board. Each director's status under this definition should be reviewed annually by the Nominating and Corporate Governance Committee. Each director should keep the Nominating and Corporate Governance 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. Other members of management would be considered for Board membership as deemed appropriate by the Nominating and Corporate Governance Committee. No more than two members of Management may serve on the Board at the same time.

**1.2.3. Charitable Contributions.** Charitable Contributions made by the Company exceeding \$10,000 in any calendar year to an organization with which a director is affiliated shall be subject to the prior approval of the Nominating and Corporate Governance Committee, which shall consider (a) the appropriateness of such contribution and (b) the effect of any such contribution on the applicable director's independence.

**1.3. Board Membership Criteria.** The Nominating and Corporate Governance Committee is responsible for recommending to the Board the types of skills and characteristics required of Board members, based on the needs of the Company from time to time. This assessment should include issues of relevant experience, intelligence, independence, commitment (including, but not limited to, willingness and ability to devote sufficient time), compatibility with the Board culture, prominence, diversity, understanding of the Company's business, and other factors deemed relevant. The Nominating and Corporate Governance 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. New Director Candidates.** The Board will nominate new directors only from candidates identified, screened and approved by the Nominating and Corporate Governance Committee, including any candidates recommended to the committee by stockholders. Any invitation to become a nominee to the Board should be extended through the Chair of the Nominating and Corporate Governance Committee after approval by the full Board.

**1.5. 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.

**1.6. Term of Board Service.** All directors will stand for election every year. The Nominating and Corporate Governance Committee will formally review each director's continuation on the Board every year. This will also allow each director the opportunity to conveniently confirm his/her desire to continue as a member of the Board.

**1.7. Change in Director's Job Status.** A director is deemed to have submitted to the Board an offer to resign at the time that such director experiences a significant change in his or her job status from the job status he or she held at the time of election to the Board, provided that a director will not be deemed to have submitted such an offer to resign upon an ordinary retirement from the job status he or she held at the time of election to the Board. Notwithstanding the foregoing, any resignation pursuant to this section will not be considered final, and will not be effective, unless such resignation is accepted by the Board acting in accordance with the Bylaws of the Company. In considering whether to accept any such resignation, the Board shall assess whether the new job status of the affected director is consistent with the needs and composition of the Board at the time of such resignation.

**1.8. Compensation.** The Compensation Committee should periodically review 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. Changes in Board compensation, if any, should be made by the Board upon the recommendation of the Compensation Committee. In addition to such compensation, Board members shall be entitled to reimbursement for reasonable expenses incurred in attending Board and Committee meetings. All airplane travel shall be at business class and, in the event business class is unavailable, such travel shall be at first class.

**1.9. Lead Director Concept.** The Board shall formally adopt a "lead director" structure where one director shall be selected to serve as an interface between the Chief Executive Officer and the full Board and shall be the presiding director at when the Board meets in Executive Session. The lead director shall be designated by majority vote of the independent directors. His or her duties shall include assisting the Board in assuring compliance with and implementation of the Company's governance guidelines, coordinating the agenda for and moderating sessions of the Board's independent directors, and acting as principal liaison between the independent directors and the Chief Executive Officer on sensitive issues.

**1.10. Other Directorships.** Independent directors are encouraged to limit the number of other boards on which they serve, taking into account potential Board attendance and participation and effectiveness on the Boards. Independent directors should also advise the Chair of the Board and the Chair of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on

another board of a public company. Without the approval of the Audit Committee and the Board of Directors, no director who is a member of the Company's Audit Committee should serve on the Audit Committee of more than two other public companies. The Chief Executive Officer may serve on up to two boards of other companies with the approval of the Board. Executive officers may serve on up to two boards of non-public companies with the approval of the Chief Executive Officer. Approval of the Nominating and Corporate Governance Committee is required before any executive officer accepts any directorship with any public company.

**1.11. Assessing the Board's Performance.** The Nominating and Corporate Governance Committee shall annually assess the Board's performance and make recommendations for improvement.

## **2. BOARD PROCEDURAL MATTERS**

**2.1. Selection of Chair and Chief Executive Officer.** The Board does not have a fixed policy as to whether the role of the Chief Executive Officer and Chair should be separate. The Board should be free to make these choices in any manner that it deems best for the Company at a given point in time.

### **2.2. Board Meetings.**

**2.2.1. Agenda.** The Chair of the Board, in consultation with the lead director, will establish and distribute in advance the agenda for each Board meeting. Any director is free to suggest potential items for the agenda. An overall schedule of meetings of the full Board and each Committee should be disseminated each year at the Board's first meeting after the annual meeting of stockholders.

**2.2.2. 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. At least annually, the Board will devote an extended meeting to a review of the Company's long-term strategic and business plans.

**2.2.3. Executive Sessions of Independent Directors.** The independent directors will meet in Executive Session at all regularly scheduled Board meetings and otherwise as needed. Such sessions will be chaired by the lead director, or the lead director designate, who will also establish an agenda for such meetings. These meetings may include, at the request of the lead director or his/her designate, the Chief Executive Officer.

**2.2.4. Governance Decisions.** On matters of corporate governance, the Board assumes that decisions will be made with the approval of a majority of the independent directors.

**2.2.5. Attendance of Non-Directors at Board Meetings.** Attendance of any non-director at any Board meeting is subject to the discretion of the Board. Subject to that, the Board encourages management to bring officers and managers into Board meetings from time to time, when such managers can provide additional insight into the matters being discussed. If the Chief Executive Officer wishes to add additional personnel as attendees at Board meetings on a regular basis, Board approval should be sought.

**2.2.6. Conduct of Meetings.** The Chair should conduct Board meetings on the assumption that each Director has carefully reviewed all Board materials, and can fairly facilitate open, candid, and respectful discussions.

**2.2.7. Conflicts of Interest.** Board members are required to disclose to the Board (or 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 (or 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 in most cases, should (and at the request of the Chair of the meeting will) leave the meeting while the remaining directors discuss and vote on such matter.

### **2.3. Information Provided to the Board; Communications.**

**2.3.1. Pre-Meeting.** Information that is important to the matters that will be discussed at Board meetings should be distributed in advance of the meeting, if possible, so that Board meeting time can be conserved for substantive, informed discussion.

**2.3.2. 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.

**2.3.3. Communications.** Candid, regular discussion between the directors and the Chief Executive Officer, and among directors, is encouraged. The Chief Executive Officer should make full use of the Board's talents to the extent feasible and appropriate by conferring with directors about Company matters within the directors' areas of expertise.

**2.3.4. Interested Parties Communications.** The independent directors shall establish a procedure for interested parties to communicate directly with either the lead director or the independent directors as a group.

**2.4. Counsel and Advisors.** 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.

### **2.5. Expectations of Directors.**

**2.5.1. Attendance; Availability.** Each director should make every reasonable effort to attend each meeting of the Board and any Committee of which the director is a member, and to be reasonably available to management and the other directors for consultation between meetings. In particular, directors should attend either in person or telephonically the greater of 75% of regular meetings or such number to avoid falling below the attendance level that would require disclosure in the Company's annual proxy statement. A director whose participation falls below that threshold for two years will be subject to review by the Nominating and Corporate Governance Committee for continued membership on the Board.

**2.5.2. Review of Materials.** Directors should review carefully information distributed to them prior to Board and Committee meetings. If directors have questions either about the materials distributed or Company operations generally that are not likely to be of general interest or relevance to the entire Board, those issues should be discussed by the director with management between Board meetings.

**2.5.3. 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.

**2.5.4. Stock Ownership.** Directors should be stockholders and have a financial stake in the Company. The Board has established separate stock ownership guidelines setting forth appropriate targets for ownership of Company shares by directors.

**2.5.5. Education.** Each director is expected to take steps reasonably necessary to be adequately informed about the Company and external matters affecting it and to enable the director to

function effectively on the Board and Committees on which the director serves. Management shall make information about the Company and developments in the Company's industry available to the Board.

**2.5.6. Attendance at Annual Meeting of Stockholders.** The Company believes that each director should make every reasonable effort to attend each annual meeting of stockholders of the Company.

**2.6. Board Evaluations; Assessing the Board's Performance.** The Board shall be responsible for annually conducting a self evaluation. The Nominating and Corporate Governance Committee shall be responsible for establishing the evaluation criteria and implementing the process for such evaluation. There should be regular, candid discussions between the Chief Executive Officer and the directors, individually and/or as a group, about how best to maximize each director's contribution to the Board. The Chair of the Nominating and Corporate Governance Committee and the Chief Executive Officer should periodically discuss the Board's performance and the contributions made by directors, with a view to making full and productive use of directors' talents and improving the performance of the Board. This discussion should be about the Board's contribution as a whole and specifically reference areas in which the Board and/or management believes a better contribution could be made. The purpose of these discussions is to increase the overall effectiveness of the Board, not to target individual directors. If it appears, however, to the Chair of the Nominating and Corporate Governance Committee or the Chief Executive Officer that a particular director's contribution to the Board is not consistent with the Company's needs at the time, or the director is disruptive to the smooth functioning of the Board as a whole, they should feel free to hold appropriate discussions with that director and make recommendations to the Nominating and Corporate Governance Committee or to the Board as whole, as appropriate.

### 3. COMMITTEE MATTERS

**3.1. Number, Titles and Charters of Committees.** The current standing Board Committees are (a) Audit, (b) Compensation, and (c) Nominating and Governance. This structure meets the Company's present needs; however, other standing Board Committees may be added by the Board as deemed appropriate. Each Committee should review its charter and activities annually, with the assistance of inside or outside counsel and advisers, as appropriate, to make certain that they are consistent with then-current sound governance practices and legal requirements.

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

**3.3. Assignment and Rotation of Committee Members.** At least annually, the Nominating and Corporate Governance Committee is responsible, after consultation with the Chief Executive Officer and consideration of the desires of individual directors, for recommending the assignment of directors to various Committees. Each independent director is expected to serve at all times on at least one, but preferably two, Committees. Consideration will be given to rotating Committee assignments periodically, but rotation should not be mandated as there may be reasons, at a given point in time, to maintain an individual director's Committee membership.

**3.4. Chair of Committees.** All standing Board Committees shall be chaired by independent directors. At least annually, the Nominating and Corporate Governance Committee shall recommend to the Board the chairs of each Committee. Each Committee Chair should normally have had previous service on the applicable Committees, and will rotate off the Committee when his or her term as Chair is completed.

**3.5. Frequency and Length of Committee Meetings.** Each Committee Chair, in consultation with Committee members, will determine the frequency and length of each Committee's meetings.

**3.6. Committee Agenda.** Each Committee Chair, in consultation with the appropriate members of the Committee and management, will develop the Committee's agenda. Each Committee will issue annually agenda items for the upcoming year (to the degree these items can be foreseen). These agendas will be shared with the Board.

**3.7. Attendance at Committee Meetings.** Attendance of non-Committee persons at Committee meetings will be at the pleasure of the Committee. Any Committee Meeting shall be open to any member of the Board who wishes to attend, unless the subject matter of the meeting involves the particular director or the Committee determines otherwise. Committees should regularly have opportunities to meet in executive session.

**3.8. Minutes and Reports.** Minutes of each Committee meeting or action will be kept and made available to the Board, Each Committee will report regularly to the Board on substantive matters considered by the Committee.

**3.9. Term of Committee Service.** Formal term limits for Committee membership are not necessary, however no Committee member should have an expectation of permanent membership.

#### **4. CEO EVALUATION; MANAGEMENT DEVELOPMENT; SUCCESSION**

**4.1. Evaluation and Compensation of the Chief Executive Officer.** The Compensation Committee should develop with the Chief Executive Officer and discuss with the Board appropriate criteria upon which the Chief Executive Officer's compensation and performance will be evaluated annually. The non-employee directors should annually meet in executive session to receive and discuss the Compensation Committee's recommendations as to the Chief Executive Officer's compensation and performance.

#### **4.2. Succession Planning and Management Development.**

**4.2.1. CEO's Role.** There should be an annual report to the Board by the Chief Executive Officer on succession planning and management development, both short term and long term.

**4.2.2. Compensation Committee.** The Compensation Committee should monitor issues associated with the Chief Executive Officer succession and management development, and regularly report to the Board on them. This should include issues associated with preparedness for the possibility of an emergency situation involving senior management, the long-term growth and development of the senior management team, and identifying the Chief Executive Officer's successor.

#### **5. CODE OF CONDUCT**

**5.1. Code of Conduct.** The Board shall approve and periodically review all codes of conduct in accordance with applicable law. The Audit Committee shall be responsible for enforcing the provisions of the Code of Ethics for Finance Professionals. The Nominating and Corporate Governance Committee shall be responsible for enforcing the provisions of the Code of Ethics and Business Conduct.

#### **6. OTHER MATTERS**

**6.1. 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 will not be deemed violation of the foregoing policy.

**6.2. Other Charitable Contributions.** Each charitable contribution made by the Company exceeding \$10,000 in any calendar year shall be subject to the prior approval of the Nominating and Corporate Governance Committee. The Chief Executive Officer shall report annually to the Board all charitable contributions.

**6.3. Auditors Services.** The executive officers of the Company shall not utilize the external auditors for the Company for their personal accounting or tax matters.

**6.4. Board Access to Management.** Directors have complete access to management. Directors will use judgment to be sure that such contacts are not distracting to the business operations of the Company and that, in general, the Chief Executive Officer is made aware of such contacts.

**6.5. Board Interaction With Third Parties.** The Nominating and Corporate Governance Committee shall establish a process for stockholders to send communications to the Board and, if applicable, to specified individual directors. Management should coordinate all other contacts with outside constituencies, such as the press, customers, analysts or the financial community. If an individual director intends to meet or otherwise substantively communicate with these constituencies about Company matters, this should be done only after consulting with the Chief Executive Officer or the Lead Director.

**6.6. Insurance, Indemnification and Limitation of Liability.** The directors shall be entitled (a) to have the Company purchase directors' and officers' liability insurance on their behalf as is reasonable under the circumstances, (b) to the benefits of indemnification to the fullest extent permitted by law and the Company's Certificate of Incorporation or Bylaws and any indemnification agreements, and (c) to exculpation as provided by law and the Company's Certificate of Incorporation.

**6.7. Confidential Stockholder Voting.** The Company believes that stockholder votes should generally be confidential. The Company's transfer agent will be instructed (a) for employees, the Company access to proxy cards and ballots shall be restricted and voting results shall be reported only in the aggregate and (b) for non-employee stockholders, the same confidentiality shall apply except in cases of proxy contests, tender offers and other change of control situations.

**6.8. Amendments of Guidelines.** The Nominating and Corporate Governance Committee will review these Guidelines at least annually to ensure that they remain suitable for the needs of the Company. The Nominating and Corporate Governance Committee will recommend needed changes to the Board.