

## **HERSHA HOSPITALITY TRUST AUDIT COMMITTEE CHARTER**

The Audit Committee (the “Committee”) of the Board of Trustees (the “Board”) of Hersha Hospitality Trust (the “Company”) will have the oversight, responsibility, authority and specific duties as described below.

### **COMPOSITION AND MEMBER REQUIREMENTS**

The Committee will comprise three or more trustees as determined by the Board. Each member of the Committee will meet the independence standards established by the New York Stock Exchange (the “NYSE”) and by the Securities and Exchange Commission (the “SEC”) for audit committee members, and the Board will make the determination of independence. All members of the Committee will meet the “financial literacy” requirements of the NYSE, at least one member of the Committee shall be an “audit committee financial expert” in accordance with the rules and regulations of the SEC and at least one member (who may also serve as the audit committee financial expert) shall have accounting or related financial management expertise in accordance with the standards established by the NYSE.

The members of the Committee will be appointed annually at the organizational meeting of the full Board. Unless a Committee Chair is elected by the full Board, the members of the Committee may designate a Committee Chair by majority vote. Committee members may not simultaneously serve on the audit committees of more than two other public companies unless the Board determines that such simultaneous service does not impair efficacy of the Committee member’s service on the Board and on the Committee.

Except as otherwise prohibited by applicable law, the Company’s declaration of trust or the Company’s bylaws, the Committee may delegate its responsibilities to subcommittees or individuals.

### **PURPOSE**

The Committee’s primary functions are to:

- A. Assist the Board in fulfilling its oversight responsibilities with respect to:
  - (i) The integrity of the Company’s financial statements and other financial information to be provided to its shareholders and the SEC;
  - (ii) The Company’s compliance with legal and regulatory requirements;
  - (iii) The system of internal controls that management has established;
  - (iv) The performance, qualifications and independence of the Company’s independent auditor; and
  - (v) The Committee’s review of the performance of the internal audit function. The internal audit function reports directly to the Committee.
- B. Prepare the audit committee report required to be included in the Company’s annual proxy statement under the SEC rules.

The Committee may use and rely in good faith on an internal control letter and management letter provided by the independent auditor in order gauge management’s effectiveness in implementing a satisfactory system of internal controls.

The Committee may also use and rely in good faith on outside experts to provide internal control expertise, internal audit services or other expertise the Committee deems necessary to carry out its duties.

In addition, the Committee provides an avenue for communication between the internal audit function, the independent auditor, financial management and the Board. The Committee and the independent auditor should have a clear understanding that the independent auditor must maintain an open and transparent relationship with the Committee and that the ultimate accountability of the independent auditor is to the Board and the Committee. The Committee will make regular reports to the Board.

While the Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Committee to plan or conduct audits, to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles ("GAAP") or to ensure compliance with laws and regulations and the Company's business conduct guidelines. These responsibilities are the responsibilities of management and the independent auditor. The Committee will oversee the resolution of disagreements, if any, between management and the independent auditor regarding financial reporting.

## **MEETINGS**

The Committee will meet at least four times annually and as many additional times as the Committee deems necessary. The content of the agenda for each meeting should be approved by the Committee Chair. Committee meetings may be conducted via telephone or video conference in accordance with applicable law and the Company's bylaws. One-third, but not less than two, of the members of the Committee shall be present in person at any meeting of the Committee in order to constitute a quorum for the transaction of business at such meeting. Participation by means of a conference telephone or similar communications equipment shall constitute presence in person at such meeting if all persons participating in such meeting can hear each other at the same time. Each Committee member shall have one vote, and actions at meetings may be approved by a majority of the members present. Any action required or permitted to be taken at any meeting of the Committee may be taken without a meeting if all members of the Committee consent thereto in writing and the writing or writings are filed with the minutes of the Committee or with the corporate records.

The Committee will meet separately, periodically, with management, with the internal audit function and with the independent auditor. It will also meet at regularly scheduled executive sessions without management.

## **ATTENDANCE**

Committee members will strive to be present at all meetings, either in person or by telephone or video conference (as permitted by applicable law and the Company's bylaws). As necessary or desirable, the Committee Chair may request that members of management and representatives of the independent auditor be present at Committee meetings.

## **SPECIFIC DUTIES**

In carrying out its oversight responsibilities, the Committee will:

## Financial Statements and Disclosure Matters

- A. Meet to review with the Company's management and independent auditor significant accounting and reporting principles, practices and procedures applied by the Company in preparing its financial statements. Discuss with the independent auditor its judgments about the quality, not just the acceptability, of the Company's accounting principles used in financial reporting.
- B. At the completion of the annual audit, meet to review with management and the independent auditor the following:
- (i) The earnings press release, as well as financial information and earnings guidance provided to analysts and rating agencies. This review may be general (*i.e.*, types of information to be disclosed and types of presentations to be made). The Committee should discuss each release in advance.
  - (ii) The annual financial statements and related footnotes and financial information to be included in the Company's annual report to shareholders and on Form 10-K, including the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the effect of regulatory and accounting initiatives and off-balance sheet structures on the financial statements.
  - (iii) Analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.
  - (iv) Other relevant financial reports or financial information submitted by the Company to any governmental agencies, including management certifications as required by the Sarbanes-Oxley Act of 2002.
  - (v) Results of the audit of the financial statements and the related report thereon and, if applicable, a report on changes during the year in accounting principles and their application.
  - (vi) Problems or difficulties with the audit, including significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit. Inquire about the cooperation received by the independent auditor during its audit, including access to all requested records, data and information. Inquire of the independent auditor whether there have been any disagreements with management that, if not satisfactorily resolved, would have caused the independent auditor to issue a qualified report on the Company's financial statements.
  - (vii) Other communications as required to be communicated by the independent auditor by Public Company Accounting Oversight Board ("PCAOB") Auditing Standards 1301 ("AS 1301"), *Communications with Audit Committees*, relating to the conduct of the audit. Further, receive a written communication provided by the independent auditor concerning its judgment about the quality of the Company's accounting principles, as outlined in AS 1301, and that the independent auditor concurs with management's representation concerning audit adjustments.
- C. At the completion of each quarter, meet to review with management and the independent auditor the following:
- (i) The earnings press release, as well as financial information and earnings guidance provided to analysts and rating agencies. This review may be general (*i.e.*, types of information to be

disclosed and types of presentations to be made). The Committee should discuss each release in advance.

- (ii) The quarterly financial statements and related footnotes and financial information to be included in the Company's quarterly report on Form 10-Q, including the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the effect of regulatory and accounting initiatives and off-balance sheet structures on the financial statements.
  - (iii) Analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.
  - (iv) Other relevant financial reports or financial information submitted by the Company to any governmental agencies, including management certifications as required by the Sarbanes-Oxley Act of 2002.
  - (v) Results of the independent auditor's review of the financial statements and, if applicable, a report on changes during the quarter in accounting principles and their application.
  - (vi) Problems or difficulties with the audit and any serious disputes or difficulties with management encountered during the review. Inquire about the cooperation received by the independent auditor during their review, including access to all requested records, data and information.
- D. Recommend to the Board whether the Company's financial statements should be included in the Company's annual report on Form 10-K.
- E. Prepare the audit committee report required to be included in the Company's annual proxy statement under the SEC rules and any other reports of the Committee that may be required by applicable securities laws or the NYSE listing requirements or rules.

#### **Oversight of the Company's Relationship with the Independent Auditor**

- A. Maintain responsibility for the appointment, compensation, retention or termination and oversight of the work of any independent auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. Provide the full Board with an overview of any material issues discovered by the Committee.
- B. At least annually, obtain and review a report by the independent auditor describing:
- (i) The independent auditor's internal quality-control procedures;
  - (ii) Any material issues raised by the most recent quality-control review, or peer review, of the independent auditor, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with such issues; and
  - (iii) To assess the auditor's independence, all relationships between the independent auditor and the Company required to be disclosed by the applicable requirements of the PCAOB regarding the independent auditor's communications with the Committee concerning independence (including the written disclosures and the letter from the independent auditor mandated by the PCAOB requirements). The Committee will discuss this report and any additional written

disclosures with the independent auditor and will use this report and any additional written disclosures to evaluate the independent auditor's qualifications, performance and independence.

- C. In connection with the review described in the immediately preceding paragraph, review the experience and qualifications of the senior members, including the lead partner, of the independent auditor's team and determine that all partner rotation requirements, as promulgated by applicable rules and regulations, have been carried out, and further review whether there should be a rotation of the independent auditor itself.
- D. Review the scope and general extent of the independent auditor's annual audit prior to the annual audit of financial statements for the fiscal year. The Committee's review should include an explanation from the independent auditor of the factors it considered in determining the audit scope, including the major risk factors. The independent auditor should confirm to the Committee that no limitations have been placed on the scope or nature of its audit process. The Committee will review annually with management the fee arrangement with the independent auditor.
- E. Pre-approve all audit and non-audit services to be performed by the independent auditor. The Committee may delegate approval authority up to \$100,000 to one of its members who reports to the Committee at its next meeting.
- F. Set clear policies for the Company's hiring of employees or former employees of the independent auditor.
- G. Have a predetermined arrangement with the independent auditor that the independent auditor will advise the Committee, through its Chair and management of the Company, of any matters identified through procedures followed for interim quarterly financial statements, and that such notification as required under standards for communication with audit committees is to be made prior to the related press release or, if not practicable, prior to filing of quarterly reports on Form 10-Q.
- H. On at least an annual basis, meet separately with the independent auditor to discuss any matters that the Committee or independent auditor believes should be discussed privately.
- I. Discuss with the independent auditor the quality of the Company's financial and accounting personnel and the appropriateness of such departments' responsibilities, budget and staffing. Also, elicit the comments of management regarding the responsiveness of the independent auditor to the Company's needs.

### **Internal Control**

- A. Discuss the adequacy of the Company's internal controls with management and the independent auditor including, without limitation, computerized information systems controls and security.
- B. Meet with management, internal audit and the independent auditor to discuss:
  - (i) Any disclosure from the Company's Chief Executive Officer or Chief Financial Officer made in connection with the certification of the Company's quarterly and annual reports filed with the SEC of significant deficiencies in the design or operation of internal controls that could

adversely affect the Company's ability to record, process, summarize and report financial data and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and

- (ii) All relevant significant recommendations that the independent auditor may have, particularly those characterized as "material weaknesses" or "significant deficiencies." Typically, with respect to clause (ii), the independent auditor will present such recommendations in the form of a Letter of Comments and Recommendations to the Committee. The Committee should review responses of management to the Letter of Comments and Recommendations from the independent auditor and receive follow-up reports on action taken concerning the aforementioned recommendations.
- C. Consider and review with management, the plan for internal audits and changes made to the audit plan, including without limitation, to the planned scope of the audit.
- D. Review with management the Company's commitment to internal controls and managements' knowledge of the internal controls.

### **Compliance**

- A. Review all letters or comments from SEC reviews, including management's responses.
- B. Review with external advisors the status of tax returns and any real estate investment trust tax regulation compliance issues. Receive a report from management regarding compliance with REIT laws and regulations.
- C. Review with management any material pending legal proceedings involving the Company and other contingent liabilities; discuss with the Company's General Counsel and outside legal advisors, if applicable, legal matters that may have a material impact on the financial statements or the Company's compliance policies.

### **Other Responsibilities**

- A. Discuss Company policies with respect to risk assessment and risk management and review contingent liabilities and risks that may be material to the Company. This may be performed by the Committee or by a sub-committee established by the Committee
- B. Establish procedures for the confidential and anonymous submission by Company employees of concerns regarding questionable accounting, internal controls or auditing matters and for the Company's receipt, retention and treatment of such complaints. All relevant complaints should be presented to the Committee Chair as noted in the Company's Whistleblower Policy.
- C. Meet with the Company's management and independent auditor to review changes to applicable accounting rules and discuss the impact of those changes on the Company's financial reporting and disclosure

- C. Review and reassess the adequacy of this charter annually and recommend any proposed changes to the Board for approval. This review and reassessment should be done in compliance with applicable Committee requirements established by the NYSE and the SEC.
- D. Conduct an annual performance evaluation of the Committee.

**Resources**

- A. The Committee will have the authority to
  - (i) Investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company; and
  - (ii) Retain, at the Company's expense, independent legal, accounting and other advisors as the Committee determines necessary to carry out its duties.
- B. The Company will provide appropriate funding, as determined by the Committee, for the payment:
  - (i) Of the independent auditor retained for the purpose of rendering or issuing an annual audit report or performing other audit, review or attest services for the Company;
  - (ii) Of any legal, accounting and other advisors the Committee chooses to retain; and
  - (iii) Of ordinary and administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.