

# **SOTHEBY'S HOLDINGS, INC.**

## **CHARTER OF THE COMPENSATION COMMITTEE**

**November 7, 2005**

### **Purpose**

The purpose of the Compensation Committee (the "Committee") is to discharge the responsibilities of the Board of Directors (the "Board") relating to the compensation of the employees of Sotheby's Holdings, Inc. (the "Company") and, in particular, the compensation of the Company's Chief Executive Officer ("CEO") and other executive officers. The Committee has the overall responsibility to review, approve and evaluate the Company's compensation and other benefit plans, policies and programs.

### **Membership and Qualifications**

The Committee will consist of at least three directors appointed by the Board based on the recommendation of the Company's Nominating and Corporate Governance Committee. Each Committee member must meet the then applicable independence requirements of the New York Stock Exchange ("NYSE"), as determined by the Board, and must have such additional qualifications and experience as may be determined to be appropriate from time to time by the Board or the Nominating and Corporate Governance Committee; provided, however, that, consistent with the applicable rules of the NYSE, through September 7, 2006 only a majority of the Committee members must meet such independence requirements. The Chairman of the Committee shall be elected by the Board.

Committee members will be selected annually by the Board for one-year terms, or until their successors are duly selected and qualified. Committee members may be replaced, and the Chairman may be changed, by the Board from time to time.

## **Duties and Responsibilities**

- The Committee will have direct responsibility to review, and, as appropriate, act on behalf of the Board or make recommendations to the Board concerning compensation and employee benefits for the Company. The Committee shall adopt and oversee the administration of incentive compensation plans, stock option plans, restricted stock plans, pension or other retirement plans, severance plans, employment agreements, notice and non-compete agreements and such other plans and programs as it deems reasonable and appropriate to serve the interests of the Company and its shareholders and to create appropriate incentives for individual and Company performance. Specifically, the Committee will be authorized to approve (i) the aggregate bonus pool available for annual bonuses under the Company's incentive compensation plan and (ii) all grants of stock options or restricted stock and to perform such other functions as may be delegated to it under the Company's Stock Option Plan, Restricted Stock Plan, Executive Bonus Plan or any other equity-based compensation plan.
- Consistent with the provisions of any applicable employment agreement, the Committee will annually review and approve corporate goals and objectives relevant to the CEO's compensation, evaluate the CEO's performance in light of those goals and objectives, and set the CEO's compensation level based on this evaluation. In determining the long-term incentive component of CEO compensation, the Committee will consider the Company's performance and shareholder return, similar incentive awards to CEOs at comparable companies and the awards given to the CEO in past years. The Committee will consult with the full Board of Directors in connection with its annual review of the CEO's performance.
- Consistent with the provisions of any applicable employment agreement, the Committee will annually review and approve for the CEO and the Company's senior management and other senior personnel (a) their annual base salary and bonus, (b)

employment agreements, severance agreements, notice and non-compete agreements and change in control agreements/provisions, in each case, as, when and if appropriate, (c) awards under the Company's Stock Option Plan, Restricted Stock Plan or Executive Bonus Plan, as, when and if appropriate, and (d) any special or supplemental benefits, as, when and if appropriate.

- The Committee may form, and delegate authority to, subcommittees when appropriate and will delegate to the Section 162(m) Sub-Committee all decisions with respect to the compensation of the CEO and the other persons designated as Named Executive Officers in the Company's most recent Proxy Statement.
- The Committee will make regular reports to the Board.
- If a compensation consultant is employed to assist in the evaluation of CEO or senior executive compensation, the Committee will have the sole authority to retain and terminate the consulting firm and the sole authority to approve the firm's fees and other retention terms. The Committee will also have the authority to retain and obtain advice and assistance from internal or external legal, accounting or other advisors.
- The Committee will periodically review its policies and procedures and the scope of its activities and will, at least on an annual basis, review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for approval. The Committee will also annually review its own performance.
- The Committee will prepare and publish an annual report on executive compensation for inclusion in the Company's Proxy Statement.
- The Committee will perform such other duties and responsibilities as may be assigned to the Committee from time to time by the Board.

## **Meetings**

The Committee will meet regularly, in person or by telephone, at such times as the Chairman or any of its members deems necessary. Meetings may be called by the Chairman of the Committee, the Chairman of the Board and/or the CEO . All meetings of and actions by the Committee will be held or taken pursuant to and in accordance with the Company's By-laws.

## **Continuing Effect of Indemnification and Exculpation Provisions of the Company's Articles of Incorporation and By-laws**

The members of the Compensation Committee, as Directors and in fulfilling their responsibilities hereunder, will continue to be fully covered by the exculpation and indemnification provisions applicable to the Company's Directors and officers set forth in the Company's Articles of Incorporation and By-laws, and such provisions are adopted by reference herein. Nothing contained herein, in any other document or elsewhere, will abrogate or supersede the protective exculpation and indemnification provisions set forth in the Company's Articles of Incorporation and By-laws.