

# **watsco**

## **COMPENSATION COMMITTEE CHARTER**

The Compensation Committee is the arm of the Board of Directors which has been delegated the Board's responsibility to the shareholders to determine a fair and just compensation (short, intermediate and long-term) for the Company's CEO and its principal executive officers.

### **SCOPE OF RESPONSIBILITY**

The Compensation Committee's responsibilities are as follows:

General—

1. To fairly and justly determine short, intermediate and long-term compensation for the CEO and the principal executive officers (Senior Vice President ("SVP") and Chief Financial Officer ("CFO")).
2. The Compensation Committee shall constantly re-evaluate its executive compensation practices to assure the fairness, relevance, support of the strategic goals of the Company and contribution to the creation of long-term shareholder value.
3. Such compensation should take into consideration that Watsco attempts to secure and retain the services of above average personnel.
4. Overall compensation shall be based upon three components – base salary, annual or intermediate incentives and long-term compensation. Each component is intended as an important piece of an overall compensation package.
5. A significant portion of the executives' total compensation shall be through incentive and other forms of longer-term compensation linked to Company performance and the creation of shareholder value.
6. The Committee shall have authority in connection with the administration of all plans of the Company under which common shares or other equity securities of the Company may be issued. In furtherance of this objective, the Committee shall, in its sole discretion, grant options and make awards of shares under the Company's stock plans.

Specific—

The Compensation Committee is responsible each year to:

1. By March 30, determine with the CEO his base salary and incentive compensation for that year so that such compensation will qualify under IRS Section 162(m).
2. Review and approve, in advance, any changes to the compensation of the principal executive officers (SVP and CFO).
3. Produce a compensation committee report on executive compensation as required by the SEC to be included on Form 10-K filed with the SEC.
4. Document a performance evaluation of the committee.
5. Report to the Board.

### **STRUCTURE**

The Compensation Committee shall be made up of not less than two Watsco directors appointed annually by the Watsco Board of Directors. The Watsco Board of Directors shall appoint the chairperson of the Compensation Committee.

The Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of director, CEO or executive officer compensation and shall have the sole authority to approve the consultant's fees and other retention terms. The Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

The Compensation Committee may form and delegate authority to subcommittees when appropriate, provided any action taken by a subcommittee is subsequently reported to the Committee and ratified.

## **DELEGATION**

The Compensation Committee may also delegate to the CEO the authority to grant options and make awards of shares under the Company's stock plans under conditions established by the Committee.

## **PROCESS**

The Compensation Committee shall carry out its responsibilities primarily through its chairperson who shall formulate a fair and equitable compensation proposal for the CEO, review that proposal with the other committee members and the CEO of the Company and obtain the CEO's agreement as to his compensation for the year.

For the compensation of the SVP and the CFO, the chairperson of the Compensation Committee shall discuss with the CEO the performance of these individuals (SVP and CFO) and approve their compensation packages after discussion and agreement with the other member of the Compensation Committee. Such compensation packages shall consider short, intermediate and long-term incentives.

The Compensation Committee will issue a certificate to the Company each year computing the amount of incentive compensation earned by the CEO during the prior year so that such compensation can be paid under Section 162(m) of the Internal Revenue Code of 1986.

The Compensation Committee will meet as needed, either in person or by phone, but at least twice per year.

## **MEMBERSHIP REQUIREMENTS**

The Committee shall be composed of not less than two (2) independent Directors. Each member shall be an outside director, independent of management, consistent with applicable rules and regulations of the SEC, NYSE and AMEX.