

# SOTHEBY'S

## CORPORATE GOVERNANCE GUIDELINES

(Effective August 7, 2014)

The following constitute the Corporate Governance Guidelines of Sotheby's (the "Company") established by the Company's Board of Directors (the "Board"). The Nominating and Corporate Governance Committee, annually reviews and reassesses the adequacy of these Guidelines to determine whether any revisions are appropriate and recommends to the Board any such revisions for the Board's approval.

### Director Responsibilities

- The business and affairs of the Company are managed under the direction of the Board, except as otherwise required by law or by the Company's Certificate of Incorporation, with management being responsible for the day-to-day operations and management of the Company.
- Directors are required to represent the best interests of the Company's shareholders in maintaining and enhancing the success of the Company's business, including optimizing long-term returns to increase shareholder value.
- The Board selects and evaluates the Chief Executive Officer ("CEO") and provides general advice and counsel to the Company's CEO and other senior executives.
- The independent Directors of the Board select, from among the independent Directors, a Lead Independent Director (the "Lead Director"). The Board adopts, modifies and oversees compliance with the Company's Code of Business Conduct and Ethics.
- The Board holds regularly scheduled executive sessions of independent/non-management Directors, at which the Lead Director presides, and formally evaluates the performance of the CEO each year in executive session.
- Directors are expected to attend Board meetings and meetings of the Committees on which they serve, and to be prepared for such meetings by becoming familiar with materials distributed to them prior to the meetings.
- In discharging the duties of a Director, including duties as a Committee member, each Director shall act: (a) in good faith; (b) with the care that an ordinarily prudent person in a like position would exercise under similar circumstances and (c) in a manner he or she reasonably believes to be in the best interests of the Company.

### Lead Director Responsibilities

The Lead Director has the following responsibilities, among other duties:

- Presides at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent/non-management Directors;
- Serves as liaison between the Chairman and the independent/non-management Directors;
- Approves information sent to the Board;
- Approves meeting agendas for the Board;

- Approves meeting schedules to assure that there is sufficient time for discussion of all agenda items;
- Has the authority to call meetings of the independent/non-management Directors; and
- If requested by major shareholders, ensures that he or she is available for consultation and direct communication in appropriate circumstances.

### **Director Qualification Standards**

· The Nominating and Corporate Governance Committee is responsible for overseeing the identification and evaluation of candidates for service as Directors. The Nominating and Corporate Governance Committee does not solicit Director nominations, but will consider recommendations sent on a timely basis to the attention of the Secretary of the Company.

· In connection with the selection process, the Nominating and Corporate Governance Committee considers the specific experience, qualifications, attributes and skills that qualify the nominee to serve as a Director, and takes into account the current Board members and the specific needs of the Company and the Board. Among the key attributes that the Nominating and Corporate Governance Committee seeks when evaluating Board candidates are:

- o High ethical standards, integrity and sound business judgment
- o Financial or management experience
- o Demonstrated interest or experience in the fine art and collectibles field
- o Independence from management
- o Business development, marketing or client service experience

The process is designed to ensure that the Board includes members with diverse backgrounds, skills and experience, including appropriate financial and other expertise relevant to the business of the Company.

· Independent Directors must comprise a majority of the Board. No Director will qualify as “independent” unless the Board affirmatively determines that, pursuant to the Rules of the New York Stock Exchange, the Director has no material relationship with the Company, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company. In making a determination regarding a proposed Director’s independence, the Board shall consider all relevant facts and circumstances, including the Director’s commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, and such other criteria as the Board may determine from time to time to be appropriate. The Board has adopted categorical standards setting forth relationships between a Director and the Company that are deemed not to be material in analyzing a Director’s independence. The Company discloses these categorical standards on the Company website, [www.sothebys.com](http://www.sothebys.com).

· All members of the Audit Committee must, in addition to being determined by the Board to be independent as provided above, meet the following requirements:

1. An Audit Committee member may not receive consulting, advisory or other compensatory fees from the Company (other than in his or her capacity as a member of the Audit Committee, the Board of Directors or any other committee of the Board); and
2. No member of the Audit Committee may be an “affiliated person” of the Company or any

subsidiary of the Company, as such term is defined by the Securities and Exchange Commission.

3. All members of the Audit Committee must be “financially literate” and at least one member of the Audit Committee must have “accounting or related financial management expertise” within the meaning of the corporate governance listing standards of the New York Stock Exchange, as determined by the Board of Directors.

4. At least one member of the Audit Committee must be a “financial expert” within the meaning of the Sarbanes-Oxley Act of 2002, as determined by the Board of Directors.

- In addition to being determined by the Board to be independent as provided above, the independence of all members of the Compensation Committee will be evaluated based on the impact of a committee member’s affiliate status with the Company and the sources of compensation received by the committee member.

- If a Director’s principal occupation or business association changes significantly from the principal occupation or business association that the Director held when the Director joined the Board, the Director will notify the Nominating and Corporate Governance Committee and offer to resign from the Board. The Nominating and Corporate Governance Committee will recommend to the Board whether or not the resignation should be accepted and the Board will decide whether or not to accept the resignation.

- The Board recommends that, except in unusual circumstances, if a Director is employed full-time by a public company, such Director limit the number of boards on which he or she sits to the boards of two other public companies (in addition to the Board of Sotheby’s and that of his or her employer). If the Director is not employed full-time by a public company, the Board recommends that, except in unusual circumstances, he or she sit on the boards of no more than four other public companies (in addition to the Company’s Board). In all instances in which a Director desires to join another public company board of directors, the Director will notify the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee reviews on a case-by-case basis situations concerning significant involvement by a Director in non-profit or charitable organizations.

- No member of the Audit Committee may serve on the audit committee of more than three public companies, including the Company, unless the Board of Directors has determined that such simultaneous service would not impair the ability of such member to effectively serve on the Committee.

- Non-Management Directors are expected to retire from the Board at the conclusion of the annual meeting following the date on which the Director turns 75 years of age and such Directors who have reached the age of 75 should not expect to be re-nominated for election by the Board. However, the Nominating and Corporate Governance Committee may recommend and the Board may approve the nomination for re-election of a non-management Director at or after the age of 75 if, in light of all the circumstances, the Board determines, on recommendation of the Nominating and Corporate Governance Committee, that doing so would be in the best interests of the

Company and its shareholders.

- While the Board does not believe it appropriate to institute fixed limits on the tenure of Directors, as the Company and the Board would thereby risk losing the contribution of Directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, to provide an increasing contribution to the Board and the Company, the Nominating and Corporate Governance Committee and the Board will consider the tenure of a Director and of Directors as a whole as one factor in its nominating process.
- Any further substantive qualification requirements for membership on the Board will be determined from time to time as deemed appropriate by the Board.

### **Board Committees**

- The Board at all times must have an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee. The Board has also established a Business Strategy Committee, a Finance Committee and an Executive Committee. The Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee must be comprised solely of independent Directors.
- The Board from time to time will determine whether additional committees are appropriate under the circumstances.

### **Director Compensation**

- Non-employee Directors, committee members and committee chairs receive reasonable compensation for their services, as may be determined from time to time by the Board upon recommendation of the Nominating and Corporate Governance Committee. Compensation for non-employee Directors, committee members and committee chairs is consistent with the market practices of other similarly situated companies. Directors who are employees do not receive additional compensation for serving as Directors.
- Directors who are members of the Audit Committee may receive no compensation from the Company other than the fees they receive for serving as Directors and committee members.

### **Director Stock Ownership Guideline and Director Retention Policy**

- The Board believes that Directors should be stockholders and have a financial stake in the Company. Accordingly, the Board has adopted stock ownership guidelines for non-employee Directors requiring them to own common stock of the Company or Deferred Stock Units having a value that is at least equal to or greater than five times the annual cash retainer for Directors. A Director must achieve the required ownership level within five years of the date of his or her election to the Board. The Board shall periodically review these Director Stock Ownership Guidelines and consider whether modifications are appropriate.
- Subject to the Director Stock Ownership Guideline above, Common Stock granted to a Director may only be sold at the earlier of three years from date of issuance and termination of such Director's service on the Board. Deferred Stock Units may not be sold until termination of a Director's service on the Board.

## **Senior Management Stock Ownership Policy**

· The Board believes that senior executives should be stockholders with a financial stake in the Company, and has adopted a stock ownership policy for Company senior executives. Senior executives of the Company must retain 50% of stock awards (net of tax withholding) until a specified target number of shares are accumulated. Target ownership requirements vary depending on position, salary and equity award participation levels. Failure by an executive to comply could jeopardize an executive's right to receive future equity awards. From time to time, the Compensation Committee will evaluate the policy and senior executive stock ownership.

## **Director Access to Management and Outside Advisors**

· The Board has ongoing direct access to management. Directors are requested to advise the CEO and the Lead Director in advance of any direct contact with management and are expected to use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and does not inappropriately disclose any confidential or sensitive information in the possession of the Director. Directors are also authorized to consult with outside advisors, as is necessary and appropriate, without management.

## **Director Orientation and Continuing Education**

· The Board provides appropriate orientation programs, sessions and materials for newly elected Directors either prior to or within a reasonable period of time after their nomination or election as Directors. Such orientations may include presentations by senior management to familiarize new Directors with relevant topics, such as the Company's strategic plans and operations, its significant financial, accounting and risk management issues, its compliance program, its Code of Business Conduct and Ethics, these Guidelines, its principal officers, its internal and independent auditors, and/or other matters. In addition, new members to a committee will be provided information relevant to the committee and its roles and responsibilities. All continuing Directors are also invited to attend any such orientation programs.

· The Board shall assure that there is a continuing process for orientation of Board members to the changing aspects of the Company's business and industry. The Board believes it is appropriate for Directors, at their discretion, to have access to educational programs related to their duties as Directors on an ongoing basis to enable them to better perform their duties and to recognize and deal appropriately with issues that arise and will facilitate such access. Continuing education shall also be provided with regard to evolving corporate governance practices.

## **Management Succession and CEO Compensation**

· The Compensation Committee is responsible for developing plans for the succession to the position of CEO, including policies regarding succession in the event of an emergency or the retirement of the CEO, and implementing appropriate oversight of the leadership talent development and succession planning for the other senior officers of the Company.

· Annually, the Compensation Committee and the CEO will review with the Board their assessment of the Company's senior officers and potential successors for the positions held by those officers.

- The Compensation Committee is responsible for making recommendations to the Board concerning annual and long-term performance goals for the CEO and for evaluating his or her performance against such goals.

### **Performance Evaluation of the Board and Board Committees**

- The Board and the Audit, Compensation, and Nominating and Corporate Governance Committees conduct a self-evaluation at least annually to determine whether the Board and the Committees are functioning effectively and how performance may be enhanced. This assessment takes into account input and comments from all Directors or committee members, as appropriate, and is discussed with the full Board/Committee. In addition to topics that may be of particular relevance in any given year, the assessment focuses on the Board's and Committees' contributions to the Company and especially on areas in which the Board or management believes that the Board and/or Committees could improve.
- In addition to the annual self-evaluation, the Lead Director will periodically invite input on the performance of individual Directors and share that input with the Chairman of the Board and the members of the Nominating and Corporate Governance Committee. Assessment of individual Director performance will also periodically incorporate "360-degree" evaluations.

### **Board Confidentiality**

- Consistent with their fiduciary and other legal duties to the Company, Directors must protect and hold confidential all Confidential Information obtained through their position as Director, absent the express permission of the Board or the Chairman of the Board and the Lead Director to disclose such information. As used in this policy, "Confidential Information" is all non-public information entrusted to or obtained by a Director by reason of his or her position as a Director of the Company, including but not limited to: (1) non-public information that might be of use to competitors or harmful to the Company or its customers if disclosed; (2) non-public information about the Company's financial condition, strategies, business plans or prospects, product information, marketing and sales programs or plans, research and development information, business processes, trade secrets, proprietary information, information about the Company's clients and customers and their potential transactions, suppliers, joint venture partners or other third parties, and information relating to potential transactions, mergers and acquisitions, investments, stock splits and divestitures; and (3) non-public information concerning proceedings or deliberations of the Board and its committees or any of the Company's Directors, officers or employees, whether preliminary or final.
- In keeping with their confidentiality obligations, Directors are to avoid the improper use of Confidential Information and therefore: (1) Directors may only use Confidential Information for the benefit of the Company, and not for personal benefit or the benefit of other persons or entities; and (2) Directors may not directly or indirectly disclose Confidential Information to any other person or entity, either during or after his or her service as a Director of the Company, except with permission of the Board or the Chairman of the Board and the Lead Director.
- Notwithstanding any other provision of this policy, nothing in this policy shall (a) prohibit a current or former Director from making any disclosure to a third party that is required by applicable

law, in which event the Director shall give notice to the Board or the Chairman of the Board and the Lead Director a reasonable time in advance of any such anticipated disclosure, consult with the Company on the advisability of taking legally available steps to resist or narrow such disclosure and assist the Company, at the Company's expense, in taking such steps; or (b) prevent a Director from trading in the securities of the Company in accordance with applicable law, during a window period with prior notice and approval from the Company where such trading is permitted pursuant to the Company's policy on insider trading.

### **Shareholder Communications with the Board; Board Communications with Third Parties**

· While the Chief Executive Officer and the CEO's designees speak on behalf of the Company and management is generally the primary point of contact for engagement with shareholders, the Board believes that shareholders should also have appropriate opportunities to share their perspectives with the non-management Directors of the Board. Accordingly, upon the request of major shareholders, the Lead Director of the Board is available for consultation and direct communication in appropriate circumstances and, to the extent appropriate, due consideration will be given to involving additional members of the Board. The Company's proactive investor relations program is also expected to periodically include appropriate members of the Board.

· Any shareholder or interested party desiring to contact the Board of Directors, or any individual Director serving on the Board, may do so by written communication mailed to: Board of Directors (Attn: (name of Director(s))), if intended for a specific Director or less than the full Board), c/o Corporate Secretary, 1334 York Avenue, New York, New York 10021. Any proper communication so received will be promptly processed by the Corporate Secretary as agent for the Board or individually named Director(s) and shared. The Corporate Secretary may elect not to forward summaries or copies of communications that the Corporate Secretary believes are business solicitations, resumes, abusive, frivolous or similarly inappropriate.

· As noted above, the Board believes that management speaks for the Company. While individual Directors may, from time to time, meet or otherwise communicate with various constituencies, including shareholders, business partners and other third parties, that are involved with the Company regarding publicly-available information in accordance with their fiduciary duties, it is expected that any such contact would be made only after appropriate consultation with the Chairman and the Lead Director and usually with the involvement of the appropriate Executive Officer of the Company and/or other Company personnel. Media communications are channeled through the Company's press office, and Directors are not expected to speak with the media concerning the Company except as otherwise authorized in advance.