Sotheby's UK Tax Strategy for the 2021 Financial Year

The Sotheby's UK Group is part of the Sotheby's Group, a multi-national organization, headquartered in New York, which operates through subsidiaries in over 25 countries. Next Alt Sarl, a Luxembourg corporation, is the ultimate parent of the Sotheby's Group. However, for the purposes of this tax strategy, the Sotheby's UK Group should be considered to include Bidfair Limited and Sotheby's Holdings UK Ltd (both English companies and indirect subsidiaries of Next Alt Sarl).

The Sotheby's Group is exposed to a variety of tax risks, including:

1. Tax compliance and reporting risks that are associated with failure to file or inaccurate or late filing of tax returns or reports;
2. Transactional risks that arise when transactions are executed without appropriate consideration of potential tax consequences; and
3. Reputational risk, which is the wider impact tax risk may have on our Brand and our relationships with shareholders, clients, tax authorities and the General Public.

Our Tax Strategy

Sotheby's believes that collecting and paying tax is an obligation of every taxpayer and is an important contribution to the economies of the countries in which it operates. Our objective is to ensure that we pay our fair share of taxes in the countries where we operate while fulfilling our legal fiduciary responsibilities to our shareholders to maximize the value of their investment.

Sotheby's UK Group's tax strategy is governed by the following Principles:

- To act with integrity and transparency in all tax matters.
- To fully comply with the letter and spirit of relevant U.K. tax laws and regulations.
- To timely and accurately file all tax returns and comply with all tax reporting and disclosure obligations.
- To timely collect and remit all tax payments.
- To only engage in tax planning that reflects genuine economic and commercial activity and is not contrary to the tax laws in the countries we operate.
- To consult with external tax advisors, including accounting and legal firms, when necessary, to ensure that we have interpreted the tax law correctly and are acting within the spirt of the law.
- To work with HMRC when any non-compliance is identified, and to remedy the position as soon as possible.
- To maintain our open, honest and transparent relationship with HMRC and involve them at an early stage whenever complex tax issues arise.

Tax Risk and Governance

We seek to manage potential tax risk by employing competent and experienced tax professionals as part of our UK Tax Team. Sotheby's Global Head of Tax (GHT) has oversight of the UK Tax Team. We also manage potential tax risk by working closely with our external tax, accounting and legal advisors, as necessary. The UK Group's approach to managing tax risk is compliance-based with a focus on timely and accurate filing of all the UK Group's income tax and non-income tax returns, as well as the timely payment of income taxes and the timely collection and payment of non-income taxes. The UK Group's appetite for risk is low and aggressive tax planning is not a focus.

The UK Tax Team is part of the World-Wide Tax Function and is the ultimate responsibility of the Global Head of Tax.

Ultimately management of Sotheby's global tax risk sits with Sotheby's Chief Financial Officer (CFO) who is also the Senior Accounting officer (SAO) for the UK group, while the day-to-day responsibility of managing tax risk sits with Sotheby's GHT.

Tax risk management forms part of the work undertaken to comply with the UK's SAO legislation. This includes the ongoing identification and assessment of UK tax risks, and the monitoring of the internal controls in place to ensure UK tax risk is managed in line with the tax risk appetite. Tax risks and mitigating controls are documented in risk and control matrices prepared through a formal process undertaken in consultation with external tax advisers.

Integral to the filing of accurate tax returns is having complete and accurate financial information, which is a result of Sotheby's sound accounting practices and financial reporting and accounting systems. The UK Tax Team works closely with the UK Finance Team to ensure that routine transactions are accounted for properly. In addition, the UK Tax Team and the GHT would be involved and work closely with our UK Legal and Finance Teams on non-routine transactions to ensure that potential tax consequences are given adequate consideration.

The Sotheby's UK Group is subject to financial statement audits by Deloitte, maintains adequate internal controls over financial reporting and has strict internal corporate governance approval requirements.

To ensure that adequate consideration is given to any potential UK tax consequences, Corporate Governance approval must be obtained from the GHT and other senior management for:

- Income tax or VAT payments over a minimal threshold
- Internal reorganizations
- Establishment of new legal entities
- Intercompany dividends
- Intercompany loans
- Intercompany capital contributions

Further, the GHT is consulted for:

- Acquisitions and dispositions of a subsidiary
- Establishment or renewal of third -party debt

Sotheby's does not provide tax advice to clients. Sotheby's would not knowingly participate in any activity or transaction to facilitate, or appear to facilitate, the evasion of tax and has strict governance procedures in place to manage this risk.

Sotheby's regards the publication of this tax strategy as complying with its obligations under Schedule 19 of the Finance Act 2016.