

# **Corporate Governance Guidelines**

**Service Corporation International**

## **1. Corporate Governance Philosophy**

Service Corporation International (“SCI”) is committed to developing effective, transparent, and accountable corporate governance practices. Our corporate governance philosophy is to adopt practices that are not only fully compliant with New York Stock Exchange (“NYSE”) and other legislative requirements but that are genuinely effective - yielding a Board that is constructively and actively engaged in corporate oversight.

## **2. Director Responsibilities**

### **2.1. Responsibilities of the Board as a Whole**

The Board’s primary responsibility is to oversee the affairs of the corporation, to foster the creation of long-term shareholder value, to protect the corporation’s best interests and to set a leadership tone for SCI reflecting the Company’s fundamental value of integrity. The Board’s specific responsibilities include:

- Review and approval of the annual capital and operating plans, and monitoring corporate performance against plans.
- Review and approval of major corporate actions or initiatives, such as significant acquisitions or divestitures, stock splits, or material capital expenditures.
- Providing counsel to SCI management in the development, review and approval of the corporate strategy and monitoring progress in the implementation of the strategy.
- Review and approve the Company’s risk management framework and oversee significant risks facing the Company.
- Delegation of authority to the CEO to operate SCI in accordance with provisions of law and the corporate bylaws.
- Selecting, evaluating, compensating, and if appropriate, replacing the Chief Executive Officer as well as developing plans to ensure effective and orderly development and succession of executive officers.
- Declaring dividends, where appropriate.
- Providing counsel to the CEO and, where appropriate, senior management.

## 2.2. Responsibilities of Individual Directors

Directors are expected to attend all Board meetings and all meetings of Board committees on which they serve, having read and considered the pre-reading materials in advance of the meetings so as to arrive prepared to discuss, question, express a point of view, and act on the agenda items.

Directors are expected to participate constructively in Board and committee meetings, drawing upon their individual experience, knowledge and background, as appropriate, to provide perspective, and insights.

Directors are expected to keep current on relevant developments in business, governance and specific issues pertaining to SCI and its industry.

## 3. Director Qualification Standards

### 3.1. Board Independence and Diversity

The majority of the Board of Directors of SCI will be comprised of independent directors, meaning directors who have no material relationship with SCI (either directly or as a partner, shareholder, or officer of an organization that has a material relationship with SCI). In addition, the Audit, Compensation, and Nominating and Corporate Governance Committees of SCI will be comprised entirely of independent directors.

SCI is committed to assembling a diverse group of directors to serve on its Board of Directors. A diverse board results in a broader perspective of the board as a whole and provides a healthy environment for innovation and risk mitigation. Diversity has multiple dimensions, including personal factors such as gender, ethnicity and age, as well as professional characteristics such as education, areas of expertise and professional experience.

The Nominating and Corporate Governance Committee of SCI will review the independence and diversity of SCI's directors on an ongoing basis to ensure that Board and Board committee composition is consistent with these principles and with the rules of the New York Stock Exchange and/or other applicable rules.

### 3.2. Personal Characteristics and Core Competencies of Directors

In determining the qualifications for members of the Board of Directors, the Committee will consider the following characteristics:

– Integrity and Accountability

- Character is the primary consideration in nominating and evaluating an SCI Board member. Directors should demonstrate high ethical standards and integrity in their business and personal dealings, and be willing to act on, and remain accountable for their boardroom decisions.

– Informed Judgment

- The ability to provide wise and thoughtful counsel on a broad range of issues. They should possess a high degree of intelligence, demonstrate prudent judgment, and an awareness of the impact of their decisions on shareholders and other stakeholders.

– Financial Literacy

- The ability to read and understand a balance sheet, income statement, and cash-flow statement, and understand the use of financial ratios and other indices of financial performance.

– Mature Confidence

- The ability to work effectively as part of a team, valuing Board and team performance over individual performance. Openness to other opinions and willingness to listen are as important as the ability to communicate persuasively. Board members should work with each other responsibly, assertively, supportively, and raise tough questions in a manner that encourages open discussion. The working relationship between members of the SCI Board and between the Board and management should be characterized by mutual respect.

– Innovation

- The ability to provide counsel to management in developing creative solutions to problems facing the company and in identifying innovative opportunities that can benefit the company and its shareholders.

– Commitment

- Commitment as demonstrated not only by attendance at Board meetings but by evident preparation and thoughtful participation in Board discussions, willingness to participate in urgent Board

discussions on short notice, when applicable, and to be accessible to SCI's senior management and other Board members, as necessary, outside of Board meetings.

### 3.3. Core Competencies of the Board as a Whole

The core competencies of the Board as a whole should be aligned with the corporate strategy of SCI, such that expertise is resident in the Board to address significant issues that the Board will be called upon to consider as SCI implements its corporate strategy. With this in mind, the core competencies of the Board as a whole may change over time and will be reviewed regularly by the Nominating and Corporate Governance Committee. The following are the core competencies that the SCI Board as a whole should possess at this time. Each Board member should contribute knowledge, experience, and skills in one or more domain:

#### – Accounting and Finance

- Among the Board's most important responsibilities is overseeing both SCI's long-term corporate performance and the protection of long-term value through adequate internal financial controls.
- In accordance with the requirements of the NYSE, the Board shall be comprised so that, at a minimum, all members of the Audit Committee of SCI shall be financially literate and one member shall be a "financial expert" as defined in section 407 of the Sarbanes-Oxley Act.
- SCI's long-term performance is significantly affected by the investment of funds, including funds held in Trusts associated with SCI's business operations and funds managed by the company's primary prearranged funeral insurance provider. Therefore, the Board should have one or more members having investment acumen.

#### – Industry Knowledge

- As Board members are being asked to make key decisions about SCI's corporate strategy and corporate performance, it is vital that the Board have one or more members with a working knowledge and understanding of SCI's industry and the competitive environment in which the company operates.

– Strategic Insight

- One of the Board’s critical responsibilities is to approve corporate strategy, provide counsel to management on the development and execution of that strategy, and monitor the implementation of the company’s strategic plan. As such, the Board should have one or more members with the ability to provide strategic insight and direction by encouraging innovation, conceptualizing key trends, reviewing the assumptions of the senior management team in strategy development, sharpening the vision, and providing broad, strategic perspective.

– Understanding and Fostering Leadership

- SCI’s performance will ultimately be determined by the ability of the Board of Directors and the CEO to attract, motivate, energize, and retain a high-performance executive team. In addition, the Board must oversee SCI’s plans for leadership development and executive succession. As such, the Board should have one or more members with an understanding of issues associated with executive development, short- and long-term compensation, and succession.

– Business Judgment and Management Expertise

- SCI’s performance will be enhanced by the application of experience and knowledge gained by Board members outside of the industry which may include experience in business or academia, in corporate governance in other organizations, in dealing with demographic trends and social behaviors of consumers, and in human capital management.
- Shareholders rely on the Board of Directors to make sensible choices on their behalf. As such, the Board should have many members with a record of making good business decisions.

– Diverse Experiences and Backgrounds

- SCI’s performance will be enhanced by a diverse composition of directors with each having diverse perspectives and ideas that facilitate innovation and mitigate risks.

### 3.4. Director Resignation

Should a Board member have a material change in his/her primary employment, they shall promptly tender their resignation to the Board.

### 3.5. Director Nomination Policy

A shareholder who wishes to recommend a prospective nominee for the Board should notify the Company's Corporate Secretary in writing with whatever supporting material the shareholder considers appropriate. To be considered, the written recommendation from a shareholder must be received by the Company's Corporate Secretary at least 120 calendar days prior to the date of the Company's Proxy Statement for the prior year's Annual Meeting of Shareholders.

## **4. Board Operations**

### 4.1. Conduct of Meetings

Board meetings will be conducted in a manner that ensures open communication, meaningful participation, and timely resolution of issues. The Chair of the Board will ensure that adequate time is provided for full discussion of important items and that management presentations are scheduled in a manner that allows time to be available for Board discussion of any presentations made and of other relevant issues.

### 4.2. Materials in Advance of Meetings

The Board must be given sufficient information to fully discharge its responsibilities and oversight duties. This information comes from a variety of sources - management reports, a comparison of performance to plan, financial statements, articles in various business publications, investment analysts' reports, etc. Wherever feasible, Board members will receive materials concerning matters to be acted upon well in advance of the applicable meeting. They may also request additional information of management either at the meeting or prior thereto through either the Chair or the corporate secretary.

### 4.3. Executive Sessions

At the end of every Board meeting, the Board will meet in an executive session attended only by the non-management directors without management present. The Lead Director will chair the executive sessions.

If any interested parties have concerns that they wish to make known to the non-management directors, they should communicate these directly to the Lead Director.

#### 4.4. Director Access to Senior Management

Board members have complete access to SCI's senior management. Except in unique circumstances, the CEO should be advised of significant interaction with management.

#### 4.5. Director Access to Independent Advisors

Board committees comprised of independent directors retain external advisors, as appropriate, in accordance with specific business needs. If management is retaining advisors to assist the Board or any Board committee, such decisions must be known and approved by the Board or the Board committee to which the advisor will provide assistance, in advance of such retention.

Should individual directors retain their own advisors, they shall notify the Nominating and Corporate Governance Committee. Fees of professional advisors retained by individual directors shall only be reimbursed with the approval of a majority of the independent directors on the Board or, in the event that an individual director retains legal counsel and prevails in an action against SCI, the legal fees relating to such action will be reimbursed to the individual director.

### **5. Director Recruitment, Orientation, and Continuing Education**

#### 5.1. Director Recruitment

It is the responsibility of the Nominating and Corporate Governance Committee to identify and recruit candidates to serve on SCI's Board of Directors. The recruitment of candidates shall be based on the Individual Core Competencies and Core Competencies of the Board as a Whole outlined in these Corporate Governance Guidelines.

#### 5.2. Director Orientation and Continuing Education

The Chair of the Board is responsible for the implementation of director orientation and continuing education at SCI. The Chair works in conjunction with the Nominating and Corporate Governance Committee on these matters.

SCI will develop and regularly review a formal orientation program for new Board members that will include formal and informal sessions with other directors and senior SCI executives and attendance at meetings of committees of which the newly elected director is not a member, so as to gain familiarity with the work of these Board committees and the issues they are addressing. The goal of SCI's orientation program will be to integrate new directors to the Board so that they can quickly become sufficiently knowledgeable about SCI to contribute meaningfully to Board discussions and decision-making.



The focus of continuing education for SCI directors will be on practicality - developing educational sessions that directors find meaningful and useful. These may range from educational sessions specific to issues confronting SCI and its industry to sessions covering corporate governance trends and issues.

Consideration will be given to the development of a program of Board member site visits, whereby SCI directors would be requested to visit one or more SCI facilities annually either independently or in teams.

In addition, the Nominating and Corporate Governance Committee will encourage directors to attend courses and educational programs that are offered by various universities, institutes etc. and will, upon request, make recommendations on continuing education programs.

## **6. Director Compensation and Stockholdings**

### **6.1. Director Compensation**

The Nominating and Corporate Governance Committee of the Board is responsible for reviewing directors' compensation levels and practices and making recommendations to the full Board with respect to directors' pay. The goal of SCI's directors' compensation program is to fairly and adequately compensate Board members for their service to SCI and its shareholders. At the same time, the Committee seeks to ensure that the level of director pay is not so significant or excessive as to compromise director independence.

In determining an appropriate level of director pay, the Committee considers:

- The time commitment required of SCI directors to effectively fulfill their responsibilities and duties to shareholders.
- Director compensation levels and practices at comparable companies.
- The proportion of directors' compensation to be provided in SCI stock, deferred common stock equivalents or other equity-based vehicles that would serve to align the interests of SCI directors with SCI shareholders.

### **6.2. Director Stockholdings**

Directors are encouraged to own an equity interest in SCI common stock of at least a value of \$500,000 within five years of their initial election to the Board. The willingness of an individual to acquire and maintain an equity interest in SCI shall be discussed with any new nominees for the SCI Board of Directors by the Nominating and Corporate Governance Committee prior to his/her nomination.

A portion of the directors' fees and committee fees may be paid in SCI stock, or at the directors' option, in deferred common stock equivalents, to facilitate the accumulation of an equity interest in the company.

## **7. Executive Leadership and Succession Planning**

### **7.1. CEO Selection and Performance**

The selection of the Chief Executive Officer, oversight of the CEO's performance in leading the company, motivation and appropriate compensation of the CEO to reflect performance and planning for succession are among the Board's most important functions.

The Nominating and Corporate Governance Committee has primary responsibility to ensure that CEO succession planning and CEO evaluation processes are conducted by the Board. The full Board of Directors determines the selection of the CEO and all members of the Board participate in the review of CEO performance.

### **7.2. Leadership Development and CEO Succession**

The Nominating and Corporate Governance Committee works with the CEO to ensure that a comprehensive plan is in place at SCI to develop executives capable of assuming effective corporate leadership. The plan includes specific developmental initiatives that may include educational programs, playing a significant role in the review and development of strategy for a business unit or the corporation as a whole, and the achievement of specified operational goals or milestones. At least once a year, the Nominating and Corporate Governance Committee and the CEO shall update the full Board on progress against the executive development and succession plans. The Board may recommend changes to the leadership development and succession plans, as appropriate.

The Nominating and Corporate Governance Committee also works with the CEO to ensure that an effective plan is in place for executive succession in the event of an emergency situation. The full Board is updated on this plan at least once a year.

### **7.3. Executive Evaluation**

The Nominating and Corporate Governance Committee will work with the CEO to design and implement a comprehensive annual evaluation process for those executives being developed for corporate leadership. A summary of these evaluations will also be presented to the full Board in conjunction with the annual review of the succession plans.

## **8. Annual Performance Evaluation of the Board**

### **8.1. Annual Performance Evaluation of the Board and Board Committees**

The Nominating and Corporate Governance Committee will oversee and facilitate a comprehensive self-evaluation of the Board of SCI and each of the Board committees on an annual basis to determine whether the Board and its committees are functioning effectively and to identify any areas to further enhance Board and committee operations.

### **8.2. Peer Review**

The Nominating and Corporate Governance Committee will oversee a director peer review process as part of the annual re-nomination review process and for the ongoing professional development of Board members.