

SERVICE CORPORATION INTERNATIONAL  
Form DEF 14A  
March 28, 2013

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant R  
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Check the appropriate box:

Preliminary Proxy Statement  
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material Pursuant to §240.14a-12  
Service Corporation International  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)  
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(1) Amount Previously Paid:

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Service Corporation International

Proxy Statement and 2013 Annual Meeting Notice

2013 Annual Meeting

Date: Wednesday, May 8, 2013

Time: 9:00 a.m. Houston time

Place: Conference Center, Heritage I and II

Service Corporation International

1929 Allen Parkway

Houston, Texas 77019

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Service Corporation International  
1929 Allen Parkway, P.O. Box 130548  
Houston, Texas 77219-0548 March 28, 2013

Dear Shareholder,

As an owner of shares of Service Corporation International, please accept my invitation to attend the Company's Annual Meeting of Shareholders. It is scheduled for Wednesday, May 8, 2013, at 9:00 a.m. Houston time in the Conference Center, Heritage I and II, Service Corporation International, 1929 Allen Parkway, Houston, Texas. On behalf of the Board of Directors and all associates of the Company, we appreciate your continuing support. I look forward to greeting in person all shareholders who are able to join us at our Annual Meeting.

Sincerely,

R. L. Waltrip  
Chairman of the Board

Service Corporation International  
1929 Allen Parkway, P.O. Box 130548  
Houston, Texas 77219-0548

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

May 8, 2013

To Our Shareholders:

The Annual Meeting of Shareholders of Service Corporation International (“SCI” or the “Company”) will be held in the Conference Center, Heritage I and II, Service Corporation International, 1929 Allen Parkway, Houston, Texas at 9:00 a.m. Houston time on May 8, 2013 for the following purposes:

1. To elect three nominees to the Board of Directors (the “Board”).
2. To approve the appointment of PricewaterhouseCoopers LLP as SCI's independent registered public accounting firm for the 2013 fiscal year.
3. To approve, on an advisory basis, the named executive officer compensation.

The Company will also transact such other business that may properly come before the meeting. Only shareholders of record at the close of business on March 12, 2013 are entitled to notice of and to vote at the Annual Meeting. A majority of the outstanding shares entitled to vote is required for a quorum.

It is important that your shares are represented at the Annual Meeting regardless of the size of your holdings. Whether or not you expect to attend the Annual Meeting in person, please vote your shares at your earliest convenience in order to ensure a quorum at the meeting. Submitting your proxy now will not prevent you from voting your shares at the Annual Meeting if you desire to do so, as your proxy is revocable at your option.

By Order of the Board of Directors,

Gregory T. Sangalis  
Senior Vice President, General Counsel and Secretary  
Houston, Texas  
March 28, 2013

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Service Corporation International  
1929 Allen Parkway  
P.O. Box 130548  
Houston, Texas 77219-0548

## PROXY STATEMENT

### Proxy Voting: Questions & Answers

Q: Who is entitled to vote?

A: Shareholders of record who held common stock of SCI at the close of business on March 12, 2013 are entitled to vote at the 2013 Annual Meeting of Shareholders (the "Annual Meeting"). As of the close of business on that date, there were outstanding 211,570,075 shares of SCI common stock, \$1.00 par value ("Common Stock").

Q: What are shareholders being asked to vote on?

A: Shareholders are being asked to vote on the following items at the Annual Meeting:

1. Election of three nominees to the Board of Directors.
2. Approval of PricewaterhouseCoopers LLP as SCI's independent registered public accounting firm for the 2013 fiscal year.
3. Consideration of an advisory vote to approve named executive officer compensation.

The Company will also transact such other business as may properly come before the meeting. The affirmative vote of a majority of the total shares represented in person or by proxy and entitled to vote at the Annual Meeting is required for approval of each of the proposals.

Q: How do I vote my shares?

A: You can vote your shares using one of the following methods:

- ✔ Vote through the internet at [www.proxyvote.com](http://www.proxyvote.com) using the instructions on the proxy or voting instruction card.
- ✔ Vote by telephone using the toll-free number shown on the proxy or voting instruction card.
- ✔ Complete, sign and return a written proxy card in the pre-stamped envelope provided.
- ✔ Attend and vote at the meeting.

Internet and telephone voting are available 24 hours a day, and if you use one of those methods, you do not need to return a proxy card. Unless you are planning to vote at the meeting, your vote must be received on or before May 7, 2013.

Even if you submit your vote by one of the first three methods mentioned above, you may still vote at the meeting if you are the record holder of your shares or hold a legal proxy from the record holder. Your vote at the meeting will constitute a revocation of your earlier voting instructions.

Q: What if I want to vote in person at the Annual Meeting?

A: The Notice of Annual Meeting of Shareholders provides details of the date, time and place of the Annual Meeting, if you wish to vote in person.

Q: How does the Board of Directors recommend voting?

A: The Board of Directors recommends voting:

- FOR each of the three nominees to the Board of Directors. Biographical information for each nominee is outlined in this Proxy Statement under "Election of Directors".

• FOR approval of PricewaterhouseCoopers LLP as SCI's independent registered public accounting firm for the 2013 fiscal year.

• FOR approval, on an advisory basis, of named executive officer compensation.

Although the Board of Directors does not contemplate that any nominee will be unable or unwilling to serve, if such a situation arises, the proxies that do not withhold authority to vote for directors will be voted for a substitute nominee(s) chosen by the Board.

Q: If I give my proxy, how will my stock be voted on other business brought up at the Annual Meeting?

A: By submitting your proxy, you authorize the persons named on the proxy card to use their discretion in voting on any other matters properly brought before the Annual Meeting. At the date hereof, SCI does not know of any other business to be considered at the Annual Meeting.

Q: Why is it important to vote via the internet or telephone, or send in my proxy card so that it is received on or before May 7, 2013?

A: The Company cannot conduct business at the Annual Meeting unless a quorum is present. A quorum will only be present if a majority of the outstanding shares of SCI common stock as of March 8, 2013 is present at the meeting in person or by proxy. It is for this reason that we urge you to vote via the internet or telephone or send in your completed proxy card(s) as soon as possible, so that your shares can be voted even if you cannot attend the meeting.

Q: Can I revoke my proxy once I have given it?

A: Yes. Your proxy, even though executed and returned, may be revoked any time prior to the time that it is voted at the Annual Meeting by a later-dated proxy or by written notice of revocation filed with the Secretary, Gregory T. Sangalis. Alternatively, you can attend the Annual Meeting, revoke your proxy in person, and vote at the meeting itself.

Q: How will the votes be counted?

A: Each properly executed proxy received in time for the Annual Meeting will be voted as specified therein, or if a shareholder does not specify how the shares represented by his or her proxy are to be voted, they will be voted (i) for the nominees listed therein (or for other nominees as provided above), (ii) for approval of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm, and (iii) for approval on an advisory basis of named executive officer compensation. Holders of SCI common stock are entitled to one vote per share on each matter considered at the Annual Meeting. In the election of directors, a shareholder has the right to vote the number of his or her shares for as many persons as there are to be elected as directors. Shareholders do not have the right to cumulate votes in the election of directors. Abstentions are counted towards the calculation of a quorum. An abstention has the same effect as a vote against a proposal, or in the case of the election of directors, as shares for which voting power has been withheld.

Q: What if my SCI shares are held through a bank or broker?

A: If your shares are held through a broker or bank, you will receive voting instructions from your bank or broker describing how to vote your stock. If you do not vote your shares, your broker or bank does not have the discretion to vote your shares on the proposals, except that they have the discretion to vote your shares for approval of Pricewaterhouse Coopers LLP as SCI's independent registered public accounting firm for the 2013



fiscal year. A “broker non-vote” refers to a proxy that votes on one matter, but indicates that the holder does not have the authority to vote on other matters. Broker non-votes will have the following effects at our Annual Meeting: for purposes of determining whether a quorum is present, a broker non-vote is deemed to be present at the meeting; for purposes of the election of directors and other matters to be voted on at the meeting, a broker non-vote will not be counted.

Q: How does a shareholder or interested party communicate with the Board of Directors, committees or individual directors?

A: Any shareholder or interested party may communicate with the Board of Directors, any committee of the Board, the non-management directors as a group or any director, by sending written communications addressed to the Board of Directors of Service Corporation International, a Board committee, the non-management directors or such individual director or directors, c/o Secretary, Service Corporation International, 1929 Allen Parkway, Houston, TX 77019. All communications will be compiled by the Secretary of the Company and submitted to the Board of Directors (or other addressee) at the next regular Board meeting.

Q: What is the Company's Web address?

A: The SCI home page is [www.sci-corp.com](http://www.sci-corp.com). At the website, the following information is available for viewing. The information below is also available in print to any shareholder who requests it.

• Bylaws of SCI

• Charters of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee

• Corporate Governance Guidelines

• Principles of Conduct and Ethics for the Board of Directors

• Code of Conduct and Ethics for Officers and Employees

Q: How can I obtain a copy of the Annual Report on Form 10-K?

A: A copy of SCI's 2012 Annual Report on Form 10-K is furnished with this proxy statement to each shareholder entitled to vote at the Annual Meeting. If you do not receive a copy of the Annual Report on Form 10-K, you may obtain one free of charge by writing to Investor Relations, P.O. Box 130548, Houston, Texas 77219-0548.

This Proxy Statement, the Notice of Annual Meeting of Shareholders and the enclosed proxy card are furnished to shareholders beginning on or about March 28, 2013.



(1) Details are provided in the footnotes to the table of director and officer shareholdings listed under “Voting Securities and Principal Holders”.

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John W. Mecom, Jr.

Age: 73

Director Since: 1983

Term Expires: 2016

Mr. Mecom has been involved in the purchase, management and sale of business interests in a variety of industries. He has owned and managed over 500,000 acres of surface and mineral interests throughout the U.S. He has been involved in the purchase, renovation, management and sale of luxury hotels in the U.S., Peru and Mexico. He purchased the New Orleans Saints NFL team in 1967 and sold his interest in 1985. He is currently Chairman of the John W. Mecom Company and principal owner of John Gardiner's Tennis Ranch. The Board of Directors believes that Mr. Mecom should serve as a Director because of his varied executive, investment and business experience as described above.

SCI Common Shares Beneficially Owned<sup>(1)</sup>: 130,199

Other Directorships in Last Five Years: None

<sup>(1)</sup> Details are provided in the footnotes to the tables of director and officer shareholdings listed under "Voting Securities and Principal Holders".

The following are profiles of the other continuing directors currently serving on the Board of SCI:

R. L. Waltrip

Age: 82

Director Since: 1962

Term Expires: 2015

Mr. Waltrip is the founder and Chairman of the Board of SCI. He has provided invaluable leadership to the Company for over 40 years. A licensed funeral director, Mr. Waltrip grew up in his family's funeral business and assumed management of the firm in the 1950s. He began buying additional funeral homes in the 1960s and achieved significant cost efficiencies through the "cluster" strategy of sharing pooled resources among numerous locations. At the end of 2012, the network he began had grown to include more than 1,700 funeral service locations and cemeteries. Mr. Waltrip took SCI public in 1969. Mr. Waltrip holds a bachelor's degree in business administration from the University of Houston. The Board of Directors believes that Mr. Waltrip should serve as a Director because of his extensive knowledge and experience related to the death care industry and the Company as well as his executive and business experience as described above.

SCI Common Shares Beneficially Owned<sup>(1)</sup>: 3,258,223<sup>(2)</sup>

Other Directorships in Last Five Years: None

Thomas L. Ryan

Age: 47

Director Since: 2004

Term Expires: 2014

Mr. Ryan was elected Chief Executive Officer of Service Corporation International in February 2005 and has served as President of SCI since July 2002. Mr. Ryan joined the Company in 1996 and served in a variety of financial management roles until November 2000, when he was asked to serve as Chief Executive Officer of European Operations based in Paris, France. In July 2002, Mr. Ryan returned to the United States where he was appointed President and Chief Operating Officer of SCI. Before joining SCI, Mr. Ryan was a certified public accountant with Coopers & Lybrand LLP for eight years. He holds a bachelor's degree in business administration from the University of Texas at Austin. Mr. Ryan serves as Chairman of the Board of Trustees of the United Way of Greater Houston. Mr. Ryan also serves on the Board of Directors of the Greater Houston Partnership, the Salvation Army Greater Houston Area Advisory Board and the Greater Houston Community Foundation Council. Mr. Ryan also serves on the University of Texas McCombs Business School Advisory Council. The Board of Directors believes that Mr. Ryan should serve as a Director because of his extensive knowledge and experience related to the death care industry and the Company as well as his executive, accounting and business experience as described above.

SCI Common Shares Beneficially Owned <sup>(1)</sup>: 3,652,406<sup>(3)</sup>

Other Directorships in Last Five Years: Texas Industries, Inc. and Weingarten Realty Investors

<sup>(1)</sup> Details are provided in the footnotes to the tables of director and officer shareholdings listed under "Voting Securities and Principal Holders".

<sup>(2)</sup> Includes 1,590,466 shares which may be acquired by Mr. R. L. Waltrip upon exercise of stock options exercisable within 60 days of March 12, 2013.

<sup>(3)</sup> Includes 2,529,066 shares which may be acquired by Mr. Thomas L. Ryan upon exercise of stock options exercisable within 60 days of March 12, 2013.

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Anthony L. Coelho

Age: 70

Director Since: 1991

Term Expires: 2015

Mr. Coelho was a member of the U.S. House of Representatives from 1978 to 1989. After leaving Congress, he joined Wertheim Schroder & Company, an investment banking firm in New York and became President and CEO of Wertheim Schroder Financial Services. From October 1995 to September 1997, he served as Chairman and CEO of an education and training technology company that he established and subsequently sold. He served as general chairman of the presidential campaign of former Vice President Al Gore from April 1999 until June 2000. Since 1997, Mr. Coelho has worked independently as a business and political consultant. Mr. Coelho also served as Chairman of the President's Committee on Employment of People with Disabilities from 1994 to 2001. He previously served as Chairman of the Board of the Epilepsy Foundation. The Board of Directors believes that Mr. Coelho should serve as a Director because of his political acumen and contacts as well as his executive, financial and business experience as described above.

SCI Common Shares Beneficially Owned<sup>(1)</sup>: 50,742

Other Directorships in Last Five Years: Stem Cell Innovation, Inc., Universal Access Global Holdings, Inc. and Warren Resources, Inc.

Malcolm Gillis

Age: 72

Director Since: 2004

Term Expires: 2014

Malcolm Gillis, Ph.D., is a University Professor and former President of Rice University, a position he held from 1993 to June 2004. He is an internationally respected academician and widely published author in the field of economics with major experience in fiscal reform and environmental policy. Dr. Gillis has taught at Harvard and Duke Universities and has held named professorships at Duke and Rice Universities. He has served as a consultant to numerous U.S. agencies and foreign governments. Additionally, he has held memberships in many national and international committees, boards, and advisory councils. He holds Bachelor's and Master's degrees from the University of Florida and a Doctorate from the University of Illinois. The Board of Directors believes that Dr. Gillis should serve as a Director because of his academic, economic, financial and business knowledge as well as his executive experience as described above.

SCI Common Shares Beneficially Owned<sup>(1)</sup>: 78,338

Other Directorships in Last Five Years: AECOM Technology Corporation, Electronic Data Systems Corp., Halliburton Co. and Introgen Therapeutics, Inc.

<sup>(1)</sup> Details are provided in the footnotes to the tables of director and officer shareholdings listed under "Voting Securities and Principal Holders".

Clifton H. Morris, Jr.

Age: 77

Director Since: 1990

Term Expires: 2014

Mr. Morris is currently the Chairman and Chief Executive Officer of JBC Funding, LLC, a corporate lending and investment firm. From May 1988 to September 2010, Mr. Morris was the Chairman of AmeriCredit Corp. (financing of automotive vehicles), previously having served as Chief Executive Officer and President of that company. Previously, he served as Chief Financial Officer of Cash America International, prior to which he owned his own public accounting firm. He is a certified public accountant with 50 years of certification, a Lifetime Member of the Texas Society of Certified Public Accountants and an Honorary Member of the American Institute of Certified Public Accountants. Mr. Morris was instrumental in the early formulation and initial public offerings of SCI, Cash America International and AmeriCredit Corp. From 1966 to 1971, he served as Vice President of treasury and other financial positions at SCI, returning to serve on the Company's Board of Directors in 1990. Mr. Morris was named 2001 Business Executive of the Year by the Fort Worth Business Hall of Fame. He is also an avid community volunteer, having served on the Community Foundation of North Texas and Fort Worth Country Day School. The Board of Directors believes that Mr. Morris should serve as a Director because of his executive, financial, investment and business experience as well as his accounting expertise as described above.

SCI Common Shares Beneficially Owned<sup>(1)</sup>: 178,227

Other Directorships in Last Five Years: AmeriCredit Corp.

W. Blair Waltrip

Age: 58

Director Since: 1986

Term Expires: 2014

Mr. Waltrip held various positions with SCI from 1977 to 2000, including serving as Vice President of Corporate Development, Senior Vice President of Funeral Operations, Executive Vice President of SCI's real estate division, Chairman and CEO of Service Corporation International (Canada) Limited (a subsidiary taken public on The Toronto Stock Exchange) and Executive Vice President of SCI. Mr. Waltrip's experience has provided him with knowledge of almost all aspects of the Company and its industry with specific expertise in North American funeral/cemetery operations and real estate management. Since leaving SCI in 2000, Mr. Waltrip has been an independent investor, primarily engaged in overseeing family and trust investments. Mr. Waltrip is the son of SCI's founder, R. L. Waltrip. The Board of Directors believes that Mr. Waltrip should serve as a Director because of his extensive knowledge and experience related to the death care industry and the Company as well as his executive and business experience as described above.

SCI Common Shares Beneficially Owned<sup>(1)</sup>: 1,712,770

Other Directorships in Last Five Years: Sanders Morris Harris Group, Inc.

<sup>(1)</sup> Details are provided in the footnotes to the table of director and officer shareholdings listed under "Voting Securities and Principal Holders".





Marcus A. Watts

Age: 54

Director Since: 2012

Term Expires: 2015

Effective January 1, 2011 Mr. Watts joined The Friedkin Group as President. The Friedkin Group serves as an umbrella company overseeing various business interests that are principally automotive related, including Gulf States Toyota, Inc., a wholesale distributor of Toyota vehicles and products. Prior to joining The Friedkin Group, Mr. Watts was Vice Chairman and Managing Partner-Houston of the 700-attorney law firm of Locke Lord LLP, with over 26 years of experience in corporate and securities law, governance and related matters. Mr. Watts served on the Board of Complete Production Services, Inc. from March 2007 until February 2012, at which time Complete Production Services, Inc. was acquired by Superior Energy Services. Mr. Watts currently serves on the board of a private real estate company, Highland Resources, Inc., and various civic and community boards including The Salvation Army of Greater Houston Advisory Board and the YMCA of Greater Houston. The Board of Directors believes that Mr. Watts should serve as a Director because of his legal expertise as well as his executive and business experience as described above.

SCI Common Shares Beneficially Owned<sup>(1)</sup>: 26,600

Other Directorships in Last Five Years: Complete Production Services, Inc.

Edward E. Williams

Age: 67

Director Since: 1991

Term Expires: 2015

Dr. Williams is Professor of Entrepreneurship and Statistics at Rice University, where he teaches classes on entrepreneurship, value creation, venture capital investing, business valuations, leveraged buyouts and the acquisition of existing concerns. Dr. Williams has been named by Business Week as the Number Two Entrepreneurship Professor in the United States. Dr. Williams holds a PhD with specialization in Finance, Accounting and Economics. He has taught finance, accounting, economics and entrepreneurship at the graduate level, has written numerous articles in finance, accounting, economics and entrepreneurship journals, has taught courses in financial statement analysis and continues to do academic research in his areas of specialty. He is the author or co-author of over 50 articles and eleven books on business planning, entrepreneurship, investment analysis, accounting and finance. The Board of Directors believes that Dr. Williams should serve as a Director because of his academic, economic, accounting, financial, investment and business knowledge and experience as described above.

SCI Common Shares Beneficially Owned<sup>(1)</sup>: 213,455

Other Directorships in Last Five Years: None

<sup>(1)</sup> Details are provided in the footnotes to the table of director and officer shareholdings listed under "Voting Securities and Principal Holders".

### Board Composition and Meetings

The Board of SCI is comprised of a majority of independent directors. The Audit, Compensation and Nominating and Corporate Governance Committees of the Board are all comprised entirely of directors who are independent within the meaning of Securities and Exchange Commission ("SEC") regulations and the listing standards of the New York Stock Exchange. The Board of Directors held four meetings in 2012. Each Board member attended at least 75% of the total number of meetings of the Board and Board committees on which he served. Although the Board does not have a policy on director attendance at annual meetings, all Board members attended the Company's 2012 Annual Meeting of Shareholders.

### Consideration of Director Nominees

The Nominating and Corporate Governance Committee considers candidates for Board membership suggested by its members and other Board members, as well as management and shareholders. The Committee may also retain a third-party executive search firm to identify candidates. A shareholder who wishes to recommend a prospective nominee for the Board should notify the Company's 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 Secretary at least 120 calendar days prior to the anniversary of the date of the Company's Proxy Statement for the prior year's Annual Meeting of Shareholders.

Once the Nominating and Corporate Governance Committee has identified a prospective nominee, the Committee will consider the available information concerning the nominee, including the Committee's own knowledge of the prospective nominee, and may seek additional information or an interview. If the Committee determines that further consideration is warranted, the Committee will then evaluate the prospective nominee against the standards and qualifications set out in the Company's Corporate Governance Guidelines. Although the Guidelines do not specifically address diversity, the Committee considers diversity of experience, education, skills, background and other factors in the evaluation of prospective nominees. The Guidelines include the following:

- the prospective nominee's integrity, character and accountability;
- the prospective nominee's ability to provide wise and thoughtful counsel on a broad range of issues;
- the prospective nominee's financial literacy and ability to read and understand financial statements and other indices of financial performance;
- the prospective nominee's ability to work effectively with mature confidence as part of a team;
- the prospective nominee's ability to provide counsel to management in developing creative solutions and in identifying innovative opportunities; and
- the commitment of the prospective nominee to prepare for and attend meetings and to be accessible to management and other directors.

The Committee also considers such other relevant factors as it deems appropriate, including the current composition of the Board, the balance of management and independent directors, the need for particular areas of expertise and the evaluations of other prospective nominees. After completing this process, the Committee makes a recommendation to the full Board as to the persons who should be nominated by the Board, and the Board determines the nominees after considering the recommendation and report of the Committee.

#### Director Independence

In August 2003, the Board adopted its Corporate Governance Guidelines. The Guidelines incorporate the director independence standards of the New York Stock Exchange. The portion of the Guidelines addressing director independence is as follows:

##### “3.1 Board Independence

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.

The Nominating and Corporate Governance Committee of SCI will review the independence 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.”

Pursuant to the Guidelines, the Board undertook a review of director independence in February 2012. For this review, the Board considered the findings and recommendations of the Nominating and Corporate Governance Committee.

The Board and the Committee considered transactions and relationships between each director or any member of his immediate family and the Company and its subsidiaries and affiliates, including those reported under “Certain Transactions” below.

As a result of this review, the Board affirmatively determined that all of the directors are independent of the Company and its management under the standards set forth in the Guidelines, with the exception of R. L. Waltrip, Thomas L. Ryan and W. Blair Waltrip. Messrs. R. L. Waltrip and Ryan are considered inside directors because of their employment as senior executives of the Company. Mr. W. Blair Waltrip is considered a non-independent director because he is the son of an executive officer, Mr. R. L. Waltrip.

#### Leadership Structure

Under the current leadership structure of the Board, the offices of Chairman of the Board and Chief Executive Officer are held by two people - R.L. Waltrip and Thomas L. Ryan, respectively. Prior to 2005, the two offices were held by Mr. R.L. Waltrip. In February 2005, the Board elected Mr. Ryan as Chief Executive Officer in accordance with the Company's succession plan to transfer day-to-day operational responsibilities. The Company believes this leadership structure remains appropriate because it vests operational leadership in a dynamic and talented leader who has significant knowledge of the deathcare industry. Further, this structure retains the leadership services and vision of Mr. Waltrip, the founder of the Company and the most recognized icon in the industry, who has provided invaluable leadership to the Company for over 40 years.

#### Risk Oversight

The Board of Directors has assigned to the Nominating and Corporate Governance Committee the quarterly oversight responsibility for the Company's enterprise risk management function. Management has the primary responsibility to identify risks and risk mitigation strategies and provides periodic reports to the Nominating and Corporate Governance Committee. The Audit Committee is responsible for oversight of major financial risks relating to the Company's accounting matters and financial reporting compliance. The Compensation Committee has oversight of the risk assessment of the Company's compensation programs. The Investment Committee has oversight of risks relating to the investment of trust funds. The Nominating and Corporate Governance Committee compiles risk assessments of the other committees and of management and periodically provides enterprise risk management reports to the Board.

Board Committees

NAME OF  
COMMITTEE  
AND MEMBERS

FUNCTIONS OF THE COMMITTEE

<p>Audit Committee</p> <p>Victor L. Lund (Chair) Alan R. Buckwalter, III Malcolm Gillis Clifton H. Morris, Jr.</p> <p>Meetings In 2012 Seven</p>	<p>Assists the Board of Directors in fulfilling its oversight responsibilities to ensure the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the qualifications, independence and performance of the independent registered public accounting firm and the performance and effectiveness of the Company's internal audit function.</p> <ul style="list-style-type: none"> <li>• Reviews the annual audited financial statements with SCI management and the independent registered public accounting firm, including items noted under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and any major issues regarding accounting principles and practices. This includes a review of analysis by management and discussion with the independent registered public accounting firm of any significant financial reporting issues and judgments made by management in the preparation of the financial statements, including the effect of alternative GAAP methods.</li> <li>• Reviews SCI's quarterly financial statements with management and the independent registered public accounting firm prior to the release of quarterly earnings and the filing of quarterly reports with the SEC, including the results of the independent registered public accounting firm's reviews of the quarterly financial statements.</li> <li>• Reviews with management and the independent registered public accounting firm the effect of any major changes to SCI's accounting principles and practices, as well as the impact of any regulatory and accounting initiatives on SCI's financial statements.</li> <li>• Reviews the qualifications, independence and performance of the independent registered public accounting firm annually and recommends the appointment or re-appointment of the independent registered public accounting firm. The Audit Committee is directly responsible for the engagement, compensation and replacement, if appropriate, of the independent registered public accounting firm.</li> <li>• Meets at least quarterly with the independent registered public accounting firm without SCI management present. Reviews with the independent registered public accounting firm any audit problems or difficulties and management's responses to address these issues.</li> <li>• Meets with SCI management at least quarterly to review any matters the Audit Committee believes should be discussed.</li> <li>• Meets with SCI management to discuss policies with respect to risk assessment and risk management and to review SCI's major financial risks and steps management has taken to monitor and control such exposures.</li> <li>• Reviews with the Company's legal counsel any legal matters that could have a significant impact on the Company's financial statements.</li> </ul>
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Board Committees (cont'd)

NAME OF  
COMMITTEE  
AND MEMBERS

FUNCTIONS OF THE COMMITTEE

Audit Committee (Cont'd) Reviews and discusses summary reports of any complaints or issues, primarily from SCI's Careline, a toll-free number available to Company employees to make anonymous reports regarding infringements of ethical or professional practice by any SCI employee regarding financial matters; discusses with SCI management actions taken in response to any significant issues arising from these summaries.

In accordance with Section 404 of the Sarbanes-Oxley Act of 2002, the Audit Committee also reviews reports relative to the effectiveness of SCI's internal control over financial reporting, including obtaining and reviewing a report by the independent registered public

- accounting firm regarding the effectiveness of SCI's internal control over financial reporting. The Audit Committee reviews any material issues raised by the most recent assessment of the effectiveness of SCI's internal control over financial reporting and any steps taken to deal with such issues.

Board Committees (cont'd)

NAME OF COMMITTEE  
AND MEMBERS

FUNCTIONS OF THE COMMITTEE

<p>Nominating and Corporate Governance Committee</p> <p>Anthony L. Coelho (Chair) Victor L. Lund Clifton H. Morris, Jr. Marcus A. Watts Edward E. Williams</p> <p>Meetings In 2012 Four</p>	<p>Oversees the composition of the Board of Directors of SCI and the Board committees, including the process for identifying and recruiting new</p> <ul style="list-style-type: none"> <li>• candidates for the Board, developing a re-nomination review process for current Board members and considering nominees recommended by shareholders in accordance with the bylaws</li> </ul> <p>Makes recommendations to the Board with respect to the nomination of</p> <ul style="list-style-type: none"> <li>• candidates for Board membership and committee assignments, including the chairmanships of the Board committees.</li> </ul> <p>Provides leadership to the Board in the development of corporate</p> <ul style="list-style-type: none"> <li>• governance principles and practices, including the development of Corporate Governance Guidelines and a Code of Business Conduct and Ethics.</li> <li>• Oversees the Company's enterprise risk management function.</li> </ul> <p>In conjunction with the full Board, oversees CEO succession planning and reviews succession plans for other SCI executives, including the</p> <ul style="list-style-type: none"> <li>• development of both short-term (emergency) and long-term CEO succession plans, and leadership development planning. Monitors progress against these plans and reports to the full Board on this issue at least annually.</li> </ul> <p>Develops and leads the annual Board evaluation of the performance of the</p> <ul style="list-style-type: none"> <li>• CEO and presents the results of this evaluation to the full Board for discussion and approval.</li> <li>• With outside assistance, when needed, makes recommendations to the full Board with respect to compensation for Board members.</li> <li>• Oversees the development of orientation programs for new Board members in conjunction with SCI's Chairman.</li> </ul> <p>Oversees continuing education sessions for SCI directors. This includes monitoring various director education courses offered by universities and other institutions, making recommendations to the Board as to which of</p> <ul style="list-style-type: none"> <li>• these might be most useful to attend, and developing other education initiatives that may be practical and useful to Board members, including development of a program for Board member visits to SCI sites and facilities.</li> </ul> <p>Oversees and implements the annual process for assessment of the</p> <ul style="list-style-type: none"> <li>• performance of SCI's Board and of the Nominating and Corporate Governance Committee, and coordinates the annual performance assessment of the Board committees.</li> <li>• Oversees and implements the individual peer review process for assessment of the performance of individual members of the Board.</li> <li>• The Committee Chair presides at executive sessions of non-management directors held during every SCI Board meeting.</li> </ul>
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Board Committees (cont'd)

NAME OF COMMITTEE  
AND MEMBERS

FUNCTIONS OF THE COMMITTEE

<p>Investment Committee</p> <p>Edward E. Williams (Chair) Malcolm Gillis John W. Mecom, Jr. W. Blair Waltrip</p> <p>Meetings In 2012 Four</p>	<p>Assists the Board of Directors in fulfilling its responsibility in the oversight management of internal and external financial assets. Internal assets are short-term investments for the Company's own account. External assets are</p> <ul style="list-style-type: none"> <li>• funds received by the Company and placed into Trust in accordance with applicable state laws related to prearranged sale of funerals, cemetery merchandise and services and perpetual care funds ("Trusts") which are deposited with financial institutions (the "Trustees").</li> </ul> <p>Works in conjunction with the Investment Operating Committee of SCI, a committee comprised of senior SCI officers and other managers, which</p> <ul style="list-style-type: none"> <li>• supports the Investment Committee by providing day-to-day oversight of the internal and external assets. The Investment Committee's policies are implemented through the Investment Operating Committee of SCI.</li> <li>• Provides guidance to the Trustees regarding the management of the SCI U.S. Trust funds.</li> <li>• Determines that the Trusts' assets are prudently and effectively managed in accordance with the investment policy.</li> </ul> <p>Reviews and recommends an investment policy for the Trust funds including (1) asset allocation, (2) individual consideration of each Trust type, (3) acceptable risk levels, (4) total return or income objectives and (5)</p> <ul style="list-style-type: none"> <li>• investment guidelines relating to eligible investments, diversification and concentration restrictions, and performance objectives for specific managers or other investments.</li> <li>• Evaluates performance of the Trustees and approves changes if needed.</li> <li>• Monitors adherence to investment policy and evaluates performance based on achieving stated objectives.</li> <li>• Oversight responsibility for the Company's cash investments on a short term basis.</li> <li>• Oversight responsibility for the Company's prearranged funeral insurance portfolio.</li> <li>• Oversight responsibility for the Company's retirement plans.</li> </ul> <p>By law, the Trustees are ultimately responsible for all investment decisions. However, the Investment Committee in conjunction with the Investment</p> <ul style="list-style-type: none"> <li>• Operating Committee and a consultant engaged by the Trustees, through the Company's wholly-owned registered investment advisor, recommends investment policies and guidelines and investment manager changes to the Trustees.</li> </ul>
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Board Committees (cont'd)

NAME OF COMMITTEE  
AND MEMBERS

FUNCTIONS OF THE COMMITTEE

<p>Compensation Committee</p> <p>Alan R. Buckwalter, III (Chair) Anthony L. Coelho John W. Mecom, Jr. Marcus A. Watts</p> <p>Meetings In 2012 Five</p>	<ul style="list-style-type: none"> <li>• Oversees the compensation program for SCI's executive officers with a view to ensuring that such program attracts, motivates and retains executive personnel and relates directly to objectives of the Company and shareholders as well as the operating performance of the Company.</li> <li>• Sets compensation for the Chairman and the CEO of SCI, and reviews and approves compensation for all other SCI executive officers, including base salaries, short and long-term incentive compensation plans and awards and certain benefits.</li> <li>• Determines appropriate individual and Company performance measures, including goals and objectives, to be used in reviewing performance for the purposes of setting compensation for the Chairman, CEO and other executive officers as well as appropriate peer group companies to review for comparative purposes with respect to compensation decisions.</li> <li>• Approves any executive employment contracts for SCI's officers, including the Chairman and the CEO.</li> <li>• Retains, as appropriate, compensation consultants to assist the Committee in fulfilling its responsibilities. The consultants report directly to the Committee, which has sole authority to approve the terms of their engagement, including their fees.</li> <li>• Determines SCI stock ownership guidelines for officers, adjusts such guidelines if necessary and reviews at least annually officer compliance with such guidelines.</li> <li>• Assesses the risk of the Company's compensation programs.</li> </ul>
<p>Executive Committee</p> <p>Robert L. Waltrip (Chair) Alan R. Buckwalter, III Anthony L. Coelho Victor L. Lund Thomas L. Ryan Marcus A. Watts</p> <p>Meetings In 2012 None</p>	<ul style="list-style-type: none"> <li>• Has authority to exercise many of the powers of the full Board between Board meetings.</li> <li>• Is available to meet in circumstances where it is impractical to call a meeting of the full Board and there is urgency for Board discussion and decision-making on a specific issue.</li> </ul>

## Director Compensation

The following table sets forth director compensation for 2012. The table and following discussion apply to directors who are not employees (outside directors). Employees who are directors do not receive director fees or participate in director compensation.

## 2012 Director Compensation Table

Name	Fees Earned or Paid		Change in Pension Value and Nonqualified Deferred Compensation Earnings(2)	All Other Compensation(3)	Total
	in Cash	Stock Awards(1)			
Alan R. Buckwalter, III	\$ 101,750	\$ 116,350	NA	\$ 56,714	\$ 274,814
Anthony L. Coelho	96,000	116,350	\$ 21,003	0	233,353
A.J. Foyt	10,000	0	24,722	0	34,722
Malcolm Gillis	92,250	116,350	NA	86,494	295,094
Victor L. Lund	104,250	116,350	NA	125,328	345,928
John W. Mecom, Jr.	88,250	116,350	37,620	70,856	313,076
Clifton H. Morris, Jr.	85,500	116,350	9,368	48,752	259,970
W. Blair Waltrip	71,500	116,350	NA	36,046	223,896
Marcus A. Watts	59,500	116,350	NA	0	175,850
Edward E. Williams	99,500	116,350	24,320	97,178	337,348

Amounts in the Stock Awards column represent the fair market value of each award on the date of grant.

- (1) Specifically, the value was calculated by multiplying (i) the average of the high and low market prices of a share of common stock of SCI on the date of the grant of the stock award, by (ii) 10,000 shares, which was the number of SCI shares per award.
- (2) Amounts in this column include increases in the actuarial present values of benefits as discussed under "Directors' Retirement Plan" below.
- (3) Amounts in this column are discussed under "Use of Company Aircraft" below.

## Stock Award

Under the Amended and Restated Director Fee Plan, all outside directors receive an annual retainer of 10,000 shares of Common Stock of SCI or, at each director's option, deferred Common Stock equivalents. The award is made once a year on the date of the Annual Meeting of Shareholders and is 100% vested on the date of grant. Accordingly, each outside director received 10,000 shares of Common Stock or deferred Common Stock equivalents on May 9, 2012. The fair market value of the award is set forth in the column "Stock Awards" in the table above. For dividends pertaining to a director's deferred Common Stock equivalents, the dividends are reinvested in additional deferred Common Stock equivalents based on the fair market value of Common Stock on the dividend record date.

## Stock Ownership Guidelines

In August 2003, the Board adopted Corporate Governance Guidelines which contained a policy to encourage the directors to own SCI stock. Under the guidelines presently in effect, each director's SCI

stock ownership should be at least 30,000 shares of SCI common stock within five years of the director's initial election to the Board. All members of the Board are in compliance with this policy.

#### Cash Fees

Effective in May 2012, the Board revised the compensation structure of director fees paid in cash to better align the Company's director compensation with typical market practices. All outside directors receive a \$75,000 annual cash retainer and the Committee Chairs receive a further annual cash retainer as follows: Audit Committee Chair \$15,000, Compensation Committee Chair \$10,000, Investment Committee Chair \$10,000 and Nominating and Corporate Governance Committee Chair \$7,500. In addition to the retainers which are paid quarterly, each outside director receives a \$2,000 attendance fee for each Board or Committee meeting attended. Fees for telephonic attendance at any Board or Committee meeting are 25% of the regular fee. The total cash fees for each director are set forth in the column "Fees Earned or Paid in Cash" in the table above.

Directors may elect to defer all or any of their cash fees by participating in the Executive Deferred Compensation Plan which is described hereinafter under "Certain Information with Respect to Officers and Directors - Executive Deferred Compensation Plan." There are no Company contributions made for a director's account in the plan. The director may have deferred fees invested in the funds available under the plan. Any earnings or losses on such deferred fees are not reported in the table above.

#### Directors' Retirement Plan

Effective January 1, 2001, the Non-Employee Directors' Retirement Plan was amended such that only years of service prior to 2001 are considered for vesting purposes. Non-employee directors who served on the Board prior to that time and were participants in the plan are entitled to receive annual retirement benefits of \$42,500 per year for ten years, subject to a vesting schedule, based on their years of Board service. Retirement benefits vested in 25% increments at the end of five, eight, eleven and fifteen years of credited service, except that the benefits vest completely in the event of death while the participant is still a member of the Board or in the event of a change of control of SCI (as defined in the plan). The increases in the actuarial present values of benefits under the plan are reflected in the column "Change in Pension Value and Nonqualified Deferred Compensation Earnings" in the table above.

#### Use of Company Aircraft

For 2012, the incremental cost of personal use of the Company's leased aircraft by each Director is reflected in the column "All Other Compensation" in the table above. The cost includes the average cost of fuel used, direct costs incurred such as flight planning services and food, and an hourly charge for maintenance of engine and airframe. Directors are entitled to certain hours of use of the Company's leased aircraft for personal reasons in accordance with the Company's usage policy approved by the Board of Directors. In 2012, the Board amended the policy so that hours allowed may be increased in the event of an emergency.

## COMPENSATION DISCUSSION AND ANALYSIS

### Overview

This Compensation Discussion and Analysis has been prepared by our management and reviewed by the Compensation Committee of our Board of Directors. This discussion provides information and context regarding the compensation paid to our Chief Executive Officer, Chief Financial Officer, and the other three most highly-compensated executive officers in 2012, all of whom are collectively referred to as the “Named Executive Officers”. Our Named Executive Officers for 2012 were:

**R. L. Waltrip** - Chairman of the Board

**Thomas L. Ryan** - President and Chief Executive Officer

**Michael R. Webb** - Executive Vice President and Chief Operating Officer

**Eric D. Tanzberger** - Senior Vice President Chief Financial Officer and Treasurer

**Sumner J. Waring, III** - Senior Vice President Operations

The Company's executive compensation policies are designed to provide aggregate compensation opportunities for our executives that are competitive in the business marketplace and that are based upon Company and individual performance. Our foremost objectives are to:

- align executive pay and benefits with the performance of the Company and shareholder returns while fostering a culture of high ethical standards and integrity; and
- attract, motivate, reward and retain the broad-based management talent required to achieve our corporate directives.

### Executive Summary

#### 2012 Company Performance

The Company delivered outstanding financial results in 2012, including the following:

• Returned \$245 million to shareholders through a combination of dividends and share repurchases.

• Increased diluted earnings per share from continuing operations excluding special items by 23.1% to \$.80.<sup>(1)</sup>

• Increased SCI stock price by 29.7% to \$13.81 per share at year end 2012.

• Increased dividend 20% in 2012 in recognition of our financial strength.

Based on 2012 results, our performance-based compensation programs generated award payouts that were above target levels.

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(1) Diluted earnings per share from continuing operations excluding special items is a non-GAAP financial measure. A reconciliation to diluted earnings per share computed in accordance with GAAP is set forth on Annex A to this Proxy Statement.

### Key Features of Our Compensation Programs

Over the course of the past several years, acting in the interests of the stockholders, the Compensation Committee in conjunction with the Company's management has adjusted the Company's compensation programs toward performance based compensation. In addition, we have collectively modified or eliminated certain components of our programs to better align them with stockholders' interests. The following are highlights of our compensation programs, including our emphasis on pay commensurate with performance and actions taken to align aspects of our programs with evolving standards.

### Compensation Highlights

- **Pay for Performance.** A significant portion of the compensation of our Named Executive Officers is directly linked to the Company's performance, as demonstrated in the historical payouts related to our annual and long-term incentive plans. The history of payouts on some variable compensation components in recent years has ranged from no payout to at or near maximum payouts dependent upon the relevant performance period. In periods of successful Company performance, management has been rewarded with performance-based compensation reflective of the success. However, when performance has not met targeted goals, then performance-based compensation resulted in lower levels of compensation.
- **No Tax Gross Ups.** We do not provide tax gross ups in our compensation programs, and we do not have provisions in our executive employment agreements that provide for tax gross ups in the event of a change of control of the Company.
- **Stock Ownership Requirements.** We maintain stock ownership guidelines for officers and directors. Under the guidelines, an officer should retain all SCI stock acquired from grants of restricted stock and stock options (net of acquisition and tax costs and expenses) until that officer has met the stock ownership guidelines.
- **Claw-Backs.** The Company maintains claw-back provisions that are triggered in certain circumstances. If triggered, the provisions provide for a claw-back of annual performance-based incentives paid in cash, stock options, restricted stock and performance units.
- **2012 Say-on-Pay Vote.** In the advisory vote on the "say-on-pay" proposal at our 2012 annual meeting, over 96% of the shares voted, representing more than 82% of the shares outstanding, were voted to approve the named executive officer compensation.

The above are discussed in more detail in this Compensation Discussion and Analysis and are reflected in the compensation tables.

### Role of the Compensation Committee

The Compensation Committee reviews the executive compensation program of the Company for its adequacy to attract, motivate and retain well-qualified executive officers who will maximize shareholder returns and for its direct and material relation to the short-term and long-term objectives of the Company and its shareholders as well as the operating performance of the Company. To carry out its role, among other things, the Compensation Committee:

- reviews appropriate criteria for establishing annual performance targets for executive compensation which are complementary to the Company's long-term strategies for growth;
- determines appropriate levels of executive compensation by annually conducting a thorough competitive evaluation,
- reviewing proprietary and proxy information, and consulting with and receiving advice from an independent executive compensation consulting firm;

ensures that the Company's executive stock plan, long-term incentive plan, annual incentive compensation plan and other executive compensation plans are administered in accordance with compensation objectives; and approves all new equity-based compensation programs.

#### Role of Compensation Consultants

Compensation decisions are made by our Compensation Committee, based in part on input from independent consultants. Meridian Compensation Partners, LLC (Meridian) has served as our independent advisor on executive compensation since 2010. Meridian is retained by and reports directly to the Compensation Committee, which has the authority to approve Meridian's fees and other terms of engagement. Services performed by Meridian for the Compensation Committee during 2012 included preparation of competitive benchmarking reviews regarding the executive and director compensation, evaluation of proposed compensation programs or changes to existing programs, provision of information on current trends in executive compensation, and updates regarding applicable legislative and governance activity. In addition, the Compensation Committee has retained Fulcrum Partners since 2011 for advice regarding executive benefits. Annually, the Compensation Committee reviews the fee structure and services provided by their independent consultants in order to affirm their continuation as consultants or to assist the Compensation Committee in the selection of new consultants, if appropriate.

#### Compensation Philosophy and Process

The Company's compensation philosophy as implemented through the Compensation Committee is to align executive compensation with the performance of the Company and the individual by using several compensation components for our executives. The components of our compensation program for our executives consist of:

- annual base salaries;
- annual performance-based incentives paid in cash;
- long-term performance-based incentives delivered in stock options, restricted stock and performance units; and
- retirement plans providing for financial security.

In summary, our direct compensation provides a balanced approach to compensation and consists of the primary components illustrated below.

Element	Component	Objective
Long-Term Incentive Compensation	Restricted Stock	Supports retention and encourages stock ownership
	Performance Units	Rewards for effective management of Company business over a multi-year period
	Stock Options	Rewards for the Company's stock price appreciation
Annual Cash Compensation	Annual Performance-Based Incentives	Rewards achievement of shorter term financial and operational objectives that we believe are primary drivers of our common stock price over time
	Base Salary	Serves to attract and retain executive talent and may vary with individual or due to marketplace competition or economic conditions
Retirement	Executive Deferred Compensation Plan and 401(k) Plan	Provide financial security for retirement

Our overall compensation philosophy is to target our direct compensation for executives within a range of the market median of the Reference Group as discussed below, with opportunities to exceed the targeted compensation levels through annual performance-based incentives paid in cash and through long-term performance-based incentives. However, if performance targets are not met, then the resulting performance-based award payouts will be below target levels. We believe these targeted levels are appropriate in order to motivate, reward, and retain our executives, each of whom have leadership talents and expertise that make them attractive to other companies. Each of the components of compensation is not affected by the amount of any other component. However, the Compensation Committee does review overall compensation for reasonableness and comparability to market median levels and the prior year's compensation.

In November of each year, our independent consultant presents to the Compensation Committee comparative data, including benchmarking results discussed below. For the Chairman and the CEO, the Compensation Committee is exclusively responsible for the final determination of all components of compensation but may request input or recommendations from Company management. For other Named Executive Officers, the Compensation Committee receives additional recommendations from our CEO for all components of compensation. In the first quarter of each year, the Compensation Committee reviews the data and recommendations and sets the compensation components of annual base salary, annual performance-based incentives and long-term incentives for that year.

After long-term incentive awards are granted in the first quarter of each year, the results or payouts of such awards are determined based on corporate performance and not on individual performance. The compensation components are designed to focus our senior leadership to operate as a team with company-wide goals. This approach serves to align the compensation of our most senior leadership team with the performance of the Company. Regarding annual performance-based incentives, two of our operational officers (one of whom is a Named Executive Officer) have certain performance measures focused on business areas of operations under their respective management. The Compensation Committee retains discretion regarding the annual performance-based incentives paid in cash, but the Compensation Committee has not exercised such discretion in the past.

### Benchmarking Tools

In reviewing the appropriate range of overall compensation and the appropriate ranges of the components of compensation for 2012, the Compensation Committee used benchmarking tools and surveys presented by Meridian. Competitive data from Meridian represented pay rates for similar positions in general industry companies having revenues of \$1-\$4 billion. We refer to those companies as the "Reference Group" or the "2012 Reference Group." The names of the companies comprising the 2012 Reference Group are set forth on Annex B.

At the request of the Compensation Committee, the 2012 Reference Group was developed by Meridian with consideration being given to the overall complexity of the Company's business model. For example, the Company sells preneed contracts (approximately \$865 million in 2012) that build up our backlog but are not initially recognized or reported as revenues under GAAP. These preneed contracts are administered by the Company over long periods of time and the Company oversees the management and administration of approximately \$3.7 billion in trust funds, the earnings of which are typically deferred under GAAP. In addition, executive management oversees a people centric business of more than 20,000 employees, including 3,600 preneed sales personnel whose production does not initially impact revenues under GAAP.

### Annual Base Salaries

We target the base salary levels of our Named Executive Officers within range of the median benchmark levels of the Reference Group. We believe that level is appropriate to motivate and retain our Named Executive Officers, who each have leadership talents and business expertise that make them attractive to other companies. In addition, when adjusting salaries, we may also consider the individual performance of the executive.

In the first quarter of 2012, the Compensation Committee made the following salary adjustment: Mr. Tanzberger received an increase of \$20,000 to \$481,800. Mr. Tanzberger's adjustment was made in recognition of his strong performance and to further align his salary with the market median level of CFO salaries of the Reference Group. No other adjustments were made since the salaries of the other Named Executive Officers were competitively positioned.

### Annual Performance-Based Incentives Paid in Cash

We use annual performance-based incentives paid in cash to focus our executive officers on financial and operational objectives that the Compensation Committee believes are primary drivers of our common stock price over time. In the first quarter of 2012 the Compensation Committee established the performance measures discussed below as the basis for annual performance-based incentive awards for our Named Executive Officers. The 2012 performance measures are substantially similar to the 2011 performance measures, except that the Compensation Committee elected to change the consolidated Free Cash Flow Measure to a per share measure. The change is intended to conform the performance measure to a metric which is followed by many of our shareholders.

Normalized Earnings Per Share, which we calculate by applying a 36.8% effective tax rate to the Company's calculation of its reported fully-diluted earnings per share and further adjusting that to exclude the following:

1. Special accounting, tax or restructuring charges
2. Litigation charges over \$5 million
3. The cumulative effect of any changes in accounting or tax principles
4. Any extraordinary gain or loss or correction of an error



5. Any gain, loss or impairment charge recorded in association with the sale or potential sale of a business and/or real estate
6. The gain or loss associated with the early extinguishment of debt
7. Accounting charges or expenses relating to acquisitions
8. Currency gains or losses

Consolidated Free Cash Flow Per Share is defined as the Company's fully-diluted consolidated free cash flow per share calculated by adjusting Cash Flows from Operating Activities as follows:

(1) Excluding:

- (a) Cash federal and state income taxes paid relating to taxable gains on sale of businesses or real estate closed in 2012, or sales closed in 2011 with the cash tax payments being made in 2012
- (b) Cash taxes and interest paid associated with federal, state or provincial tax audit settlements
- (c) Cash payments associated with major or material litigation settlements over \$5 million
- (d) Cash payments and expenses relating to acquisitions

(2) Deducting forecasted capital improvements at existing facilities and capital expenditures to develop cemetery property

(3) Utilizing the forecasted amounts of cash taxes paid in 2012 that relate to normal operating earnings

Comparable Revenue Growth, which we define as the percentage change from the prior year in total revenue for combined funeral and cemetery comparable same-store locations in North America in mixed currency dollars.

Comparable Sales Production Growth, which we define as the percentage change from the prior year in combined total preneed funeral sales production, total preneed cemetery sales production and total at need cemetery sales production at comparable same-store locations in North America in mixed currency dollars.

In addition to the above performance measures, we established the following performance measures which are applicable only to Mr. Waring and which are designed to provide focus on the business area of responsibility ("AOR") under his management.

Comparable AOR Revenue Growth, which we define as Comparable Revenue Growth of the locations in Mr. Waring's AOR.

• Comparable AOR Sales Production Growth, which we define as Comparable Sales Production Growth of the locations in Mr. Waring's AOR.

For 2012, we weighted each of the performance measures as follows: 25% Normalized Earnings Per Share, 25% Consolidated Free Cash Flow Per Share, 25% Comparable Revenue Growth and 25% Comparable Sales Production Growth for all Named Executive Officers except for Mr. Waring. For Mr. Waring, we weighted the performance measures as follows: 25% Normalized Earnings Per Share, 25% Consolidated Free Cash Flow Per Share, 25% Comparable AOR Revenue Growth and 25% Comparable AOR Sales Production Growth. The Compensation Committee established the following ranges for performance measures and their related payouts as a percentage of the target award for the performance period from January 1 through December 31, 2012. Calculation of awards for performance levels between threshold and target or target and maximum are calculated using straight-line interpolation.

Performance Measure	Threshold for 0% Payout (1)	Target for 100% Payout	Maximum for 200% Payout
Normalized Earnings per Share	\$0.5984	\$0.6984	\$0.7984
Consolidated Free Cash Flow per Share	\$1.1277	\$1.3277	\$1.5277
Comparable Revenue Growth (2)	97.37%	101.37%	105.37%
Comparable Sales Production Growth (2)	100.09%	105.09%	110.09%
Comparable AOR Revenue Growth (2)(3)	97.85%	101.87%	105.89%
Comparable AOR Sales Production Growth (2)(3)	101.04%	106.09%	111.14%

- (1) Any performance above the threshold results in a payout.  
(2) Expressed as a percentage of comparable 2011 performance.  
(3) Applicable only to Mr. Waring, specifically for his funeral and cemetery areas of responsibility.

The Compensation Committee established target performance-based incentive award levels for 2012 generally consistent with our overall compensation philosophy to recognize achievement for greater levels of performance and to motivate and retain the executive level talent. The target awards were generally positioned within the mid-range of the competitive benchmark market data. If SCI achieves the performance targets established by the Compensation Committee, executive officers would receive incentive awards at this targeted level. Actual incentive awards are decreased or increased on the basis of SCI's performance relative to the performance targets, subject to maximum award amounts of 200% of targeted incentive levels. The target range establishes a lower threshold to achieve a minimal annual performance-based incentive but with a higher bar to achieve a payout at or near the maximum award of 200% of the targeted incentive levels. The award is based on base salary on the last day of the measurement period. The target award opportunities for the Named Executive Officers for 2012 were as follows:

	Target Award Opportunity (% of Base Salary)
R.L. Waltrip	100%
Thomas L. Ryan	110%
Michael R. Webb	100%
Eric D. Tanzberger	70%
Sumner J. Waring, III	60%

For 2012, SCI's actual performance measured as a percentage of the targets of the performance measures was as follows: 116.4% of Normalized Earnings Per Share, 97.9% of Consolidated Free Cash Flow Per Share, 101.4% of Comparable Revenue Growth, 101.0% of Comparable Sales Production Growth and, respecting AOR targets applicable to Mr. Waring, 102.2% of Comparable AOR Revenue Growth and 103.7% of Comparable AOR Sales Production Growth. The payouts for performance exceeding each performance measure were leveraged to reflect the Compensation Committee's expectation that superior performance would also contribute to increased shareholder values. Accordingly, actual performance measured against the performance measures resulted in (i) a 200.0% payout percentage for the Normalized Earnings Per Share performance measure, (ii) a 86.0% payout percentage for the Consolidated Free Cash Flow Per Share performance measure, (iii) a 135.1% payout percentage for the Comparable Revenue Growth performance measure, (iv) a 120.7% payout percentage for the Comparable Sales Production Growth performance measure, (v) a 156.5% payout percentage for the Comparable AOR Revenue Growth performance measure applicable to Mr. Waring, and (vi) a 176.7% payout percentage for the Comparable AOR Sales Production

Growth performance measure applicable to Mr. Waring. As a result of the foregoing and giving effect to the weightings as described above, Messrs. Waltrip, Ryan, Webb and Tanzberger received annual performance-based incentives paid in cash at 135.5% of the target-based incentive award levels, and Mr. Waring received an annual performance-based incentive paid in cash at 154.8% of his target-based incentive award level. The actual dollar amounts of the payouts are set forth in footnote (2) to the Summary Compensation table below.

The Compensation Committee does have discretion regarding the annual performance-based incentives paid in cash, but the Compensation Committee did not exercise any discretion regarding the incentives for 2012.

#### Long-Term Incentive Compensation

In February of each year, the Compensation Committee sets the components of the long-term incentive compensation for that year. Awards granted in 2012 under our long-term incentive compensation program consisted of three components to provide balance and focus for the Named Executive Officers. Each form of long term incentive is designed to ensure that appropriate focus is given to driving the Company's stock price appreciation, managing the ongoing operations and implementing strategy and ensuring superior total shareholder returns. The program consists of equal targeted expected value delivered for long-term incentives in the form of:

- (i) Stock Options;
- (ii) Restricted Stock; and
- (iii) Performance Units.

The total targeted expected value of the three awards for each of our Named Executive Officers was generally established within range of the market median of the Reference Group. The market median of the Reference Group for each executive officer was based upon the position being evaluated and varied by position (for example, the value of an award for the position of President was higher than the value of an award for the position of Senior Vice President). In addition to such range, the Compensation Committee considered other factors in establishing the total targeted expected value for each executive officer, including the individual performance of each executive officer, the job responsibilities of each executive officer and the overall Company performance in light of the then-current economic environment. Once the total targeted expected value of the three types of awards was established for each executive officer, we calculated and granted to the executive officer (i) the number of stock options which had a value equal to one third of the total targeted expected value, (ii) the number of shares of restricted stock which had a value equal to one third of the total targeted expected value, and (iii) the number of performance units which had a value equal to one third of the total targeted expected value.

We believe that the grant of significant annual equity awards further links the interests of senior management and the Company's shareholders. Therefore, the grant of stock options and the award of restricted stock are important components of annual compensation. Although the Compensation Committee does not consider current stock ownership levels in determining equity awards, we do annually review the ownership levels and progress towards established ownership guidelines, as discussed below.

#### Stock Options

The purpose of using stock options is to provide to executive officers a reward whose value is directly attributable to their ability to increase the value of the business and our stock price. Stock options are granted at an exercise price equal to 100% of the fair market value of SCI common stock on the grant date. Stock options vest at a rate of one third per year and have an eight-year term. The Compensation Committee

establishes an economic value of stock options to be awarded and relies on its independent consultant to calculate the number of stock options substantially equivalent to those economic values.

#### Restricted Stock

The purpose of using restricted stock with vesting provisions is to assist in retaining our executive officers and encouraging stock ownership. The restricted stock awards are made at the same time as the stock option grants, vest at a rate of one-third per year and are based on the estimated grant date value of the restricted shares.

#### Performance Units

The performance units are intended to reward executive officers for effective management of the business over a multi-year period. In addition, the performance units allow executive officers to retain or build their SCI stock ownership by providing liquidity that can be applied to taxes associated with option exercises and restricted stock vestings. The performance unit component is settled in cash at the end of a three-year performance period. Each performance unit has a value of \$1.00 and the actual payout may vary by a range of 0% to 200% of the targeted award established by the Compensation Committee. The Performance Unit Plan measures the three year total shareholder return ("TSR") relative to the public companies which are included in the Reference Group. TSR is defined as \$100 invested in SCI common stock on the first day of the performance cycle, with dividends reinvested, compared to \$100 invested in each of the public companies in the Reference Group, with dividend reinvestment during the same period. The Compensation Committee believes TSR is an appropriate metric because it (i) aligns the interests of management with the interests of shareholders, and (ii) provides a useful means of comparing Company performance relative to the performance of public companies in the Reference Group. The chart below sets forth the range of payouts as a percent of a target award at various levels of relative TSR performance.

#### Performance Unit Range of Payouts

Award Payout Level	SCI Weighted Average Total Shareholder Return Ranking Relative to Comparator Group at End of Performance Cycle	% of Target Award Paid as Incentive*
Maximum	75 <sup>th</sup> Percentile or greater	200%
Target	50 <sup>th</sup> Percentile	100%
Threshold	25 <sup>th</sup> Percentile	25%
Below Threshold	Less than 25 <sup>th</sup> Percentile	0%

\* Calculation of awards for performance levels between threshold and target or target and maximum are calculated using straight-line interpolation.

For the 2010 — 2012 performance cycle, the closing stock price determinations as of December 31, 2009 and December 31, 2012 were used to calculate the awards due participants. For this performance cycle, the participants earned an award of 184% based on TSR greater than 79% and at the 71<sup>st</sup> percentile or better ranking relative to the reference group used in 2010.

For the 2012 — 2014 performance cycle, the Compensation Committee granted performance units with performance awards ranging from 0% to 200% as set forth below in the "Grants of Plan-Based Awards" table. A target award is earned if SCI's TSR relative ranking is at the 50<sup>th</sup> percentile of the TSR of the public companies in the 2012 Reference Group.

This component of our long-term incentive program has historically rewarded executives for increasing the Company's TSR relative to the companies in the Reference Group. However, because of our stock price

decline during the economic downturn, there were no Performance Unit Plan payouts for each of the three year periods ending in 2008, 2009 and 2010. We believe superior relative performance in a down year deserves a reward. Accordingly, we modified the plan for 2011 and later years so that payouts are capped at target if SCI experiences negative TSR but performs well in relation to the Reference Group.

#### Provisions Regarding Claw-Backs

In November 2008, the Board of Directors adopted provisions for seeking the return (claw-back) from executive officers of cash incentive payments and stock sale proceeds in certain circumstances involving fraud. For awards in and after 2009, we added these provisions for the following elements of compensation: annual performance-based incentives paid in cash, stock options, restricted stock and performance units. The provisions would be triggered if the Board of Directors determines that an officer has engaged in fraud that caused, in whole or in part, a material adverse restatement of the Company's financial statements. In such an event, the Company would seek to recover from the offending officer the following:

• The actual annual performance-based incentive paid in cash to the officer, but only if the original payment would have been lower if it had been based on the restated financial results.

• The gains from sales of stock acquired under stock options realized at any time after the filing of the incorrect financial statements. (Any remaining vested and unvested stock options would be cancelled).

• The gains from sales of restricted stock realized at any time after the filing of the incorrect financial statements. (Any remaining unvested restricted stock would be forfeited).

• The amount of a performance unit award paid after the ending date of the period covered by the incorrect financial statements. (Any unpaid performance unit award would be forfeited).

#### Consideration of 2012 Say-on-Pay Vote

At our annual meeting of shareholders held on May 9, 2012, over 96% of the shares voted, representing more than 82% of the shares outstanding, were voted in favor of the proposal for an advisory vote to approve Named Executive Officer compensation ("say-on-pay" vote). The Compensation Committee believes this result is an indication that a significant majority of our shareholders are satisfied with our executive compensation policies and decisions, and that our executive compensation program effectively aligns the interests of our Named Executive Officers with the interests of our shareholders. The Compensation Committee considered the results of the 2012 say-on-pay vote, but such results did not impact the Committee's decisions regarding the determination of executive compensation for 2013. We will continue to consider the outcome of our "say-on-pay" vote results when determining future compensation policies and pay levels for our Named Executive Officers.

An advisory vote also was held on the frequency of the "say-on-pay" proposal. Shareholders expressed their preference for an annual advisory say-on-pay vote on executive compensation, and we have implemented that recommendation.

#### Securities Trading and Investment Policy

The Board of Directors maintains a policy governing directors and officers with regard to transactions involving the Company's securities, including purchases and sales of common stock.

#### Stock Ownership Guidelines and Retention Requirements - Officers

In 2004, we established stock ownership guidelines for officers. Share ownership is generally achieved through open market purchases of SCI stock, shares acquired in the company sponsored 401(k) plan, vesting

of restricted stock and shares retained after exercise of stock options. The table below sets forth our current ownership guidelines for our officers.

Title	Target Holdings (# of Shares)
Chairman of the Board	400,000
President and Chief Executive Officer	400,000
Executive Vice President and Chief Operating Officer	200,000
Senior Vice President	100,000
Vice President	40,000 to 60,000

At March 12, 2013, the Named Executive Officers had attained or exceeded their ownership guideline levels. In February 2011, we established a policy to require that an officer retain all SCI stock acquired from grants of restricted stock and stock options (net of acquisition and tax costs and expenses) until that officer has met the ownership guidelines.

#### Employment Agreements; Termination Payment Arrangements

The Company has employment agreements with Messrs. R.L. Waltrip, Thomas L. Ryan, Michael R. Webb, Eric D. Tanzberger and Sumner J. Waring, III. These agreements have current terms expiring December 31, 2013. Annually, the Company may extend each agreement for an additional year unless notice of nonrenewal is given by either party. The employment agreements articulate the terms and conditions of the officers' employment with the Company including termination provisions and noncompetition obligations. Each November, we review the list of, and the terms and conditions of employment for, the Named Executive Officers and other officers with employment agreements in effect and determine whether to extend, modify or allow the agreements to expire.

In 2010, we amended our executive employment agreements to eliminate any obligation to pay tax gross ups in the event of a change of control of the Company.

For further discussion of these employment agreements, refer to "Certain Information with Respect to Officers and Directors - Executive Employment Agreements" below.

Our employment agreements and compensation plans have historically incorporated arrangements for certain payments upon change of control of the Company and for other terminations. We believe that these arrangements have been and are necessary to attract, motivate, reward and retain the broad-based management talent required to achieve our corporate directives. In the context of a possible acquisition or merger of the Company, we believe that change-in-control provisions (i) help focus our executives on strategic alternatives that would maximize shareholder value, and (ii) provide for personal financial security, thereby reducing a concern which could be a distraction for the executive. Our change-in-control and other termination payment arrangements do not affect decisions regarding other compensation elements. We structured the terms and payout of our arrangements based upon our historical practice and competitive considerations, including advice from an independent consultant that such features were commonly used by publicly traded companies.

For further discussion of termination arrangements, refer to "Certain Information with Respect to Officers and Directors - Potential Payments Upon Termination" below.

### Retirement Plans

We believe that financial security during retirement can be as important as financial security before retirement. We previously maintained a Supplemental Executive Retirement Plan for Senior Officers which ceased accruing benefits in 2000. In 2005, we implemented an Executive Deferred Compensation Plan for our executive officers which includes a Company contribution for retirement.

Our Supplemental Executive Retirement Plan for Senior Officers is a non-qualified plan under which our Named Executive Officers accrued benefits until December 31, 2000. No additional benefits will accrue after 2000. Each participant is entitled at age 60 to the annual payment of the full amount of his benefit.

To help retain and recruit executive level talent, the Company maintains a supplemental retirement and deferred compensation plan for its executive officers, the Executive Deferred Compensation Plan. This plan allows for an annual retirement contribution of 7.5% and a performance-based contribution targeted at 7.5%, with a range of 0% to 15% based on achievement of Company performance measures established in the first quarter of each year. These are the same performance measures described in the Annual Performance-Based Incentives Paid in Cash above. The percentages are applied to the combined eligible compensation of base salary and annual performance-based incentive paid in cash. The plan allows for individual deferral of base salary, annual performance-based incentives paid in cash, restricted stock awards and performance unit awards. The plan also allows for the restoration of Company matching contributions that are prohibited in the Company's 401(k) plan due to tax limits on contributions to qualified plans. In February 2013, the Company made the following contributions under the plan with respect to 2012 service and performance:

Name	7.5% Retirement Contribution	Performance Contribution	Total
R.L. Waltrip	NA	NA	NA
Thomas L. Ryan	\$189,411	\$256,588	\$445,999
Michael R. Webb	118,180	160,094	278,274
Eric D. Tanzberger	70,400	95,369	165,769
Sumner J. Waring, III	65,353	88,532	153,885

We also offer a 401(k) plan to our employees, including our executive officers. In 2000, the Company initiated the 401(k) Retirement Savings Plan for elective contributions by participants and matching contributions by the Company up to prescribed limits established by the Board of Directors and specific IRS limitations. Participants may elect to defer up to 50% of salary and bonus into the Plan subject to the annual IRS contribution limit of \$16,500 excluding the \$5,500 catch-up contributions for eligible for participants age 50 and older. The Company's match ranges from 75% to 125% of employee deferrals based on their years of company service. The match is applied to a maximum of 6% of an officer's salary and annual performance-based incentive, subject to the IRS compensation limits.

### Perquisites and Personal Benefits

We provide various perquisites and personal benefits to our executive officers which the Compensation Committee views as an important component of competitive compensation packages for executive officers, including:

- financial and legal planning and tax preparation — provided to officers to encourage critical document preparation and financial planning advice for effective tax and retirement planning
- supplemental medical reimbursements — provided to officers and managing directors. The insured benefit product covers out of pocket medical expenses, exclusive of required premium contributions

by participants in the Company's medical and dental plans, and is a valued benefit provided at modest annual cost per participant.

long-term disability policy — in 2011, we restructured our long-term disability policy such that approved coverage levels will be provided by insurance. We are eliminating this Company-paid benefit for officers and shifting the costs of new long-term disability insurance to the individual officers and have adjusted their salaries. Because of risks relating to the pre-existing condition provisions in the insurance policy, the Company continued to pay the premium on certain existing policies for part of 2012.

enhanced life insurance — executive life insurance program for officers generally covering approximately 3.5 times the executive's annual salary and bonus.

funeral and cemetery benefits — provides funeral/cemetery discounts for directors and officers and their immediate families, on an atneed or prearranged basis. Under the policy, the Company provides (i) services free of cost, and (ii) merchandise, property and interment rights at cost.

security and transportation services — security and transportation services are provided to the Chairman of the Board, and security services are provided to the Chief Executive Officer.

personal use of Company aircraft — officers are allowed certain hours of use of the Company's leased aircraft for personal reasons in accordance with the Company's usage policy approved by the Board of Directors. Hours allowed are based on title and approved by the Board. In 2012, we amended the policy so that hours allowed may be increased in the event of an emergency.

Personal benefit amounts are not considered annual salary for bonus purposes, deferred compensation purposes or 401(k) contribution purposes.

#### Compensation Policies and Practices as They Relate to Risk Management

In February 2012, we reviewed the risks arising from the Company's compensation policies and practices for its employees and made a determination that such risks are not reasonably likely to have a material adverse effect on the Company. At a meeting held February 8, 2012, the Compensation Committee of our Board of Directors reviewed and discussed compensation of Company employees, including the total potential maximum impact of the Company's variable compensation, the safeguards embodied in the compensation plans and that the compensation plans and compensation metrics do not provide incentives for management to take undue risks. The Compensation Committee reached a consensus to recommend to the Nominating and Corporate Governance Committee of our Board of Directors that it make the determination referenced above. At a meeting also held on February 8, 2012, the Nominating and Corporate Governance Committee considered the above referenced compensation information and the above referenced recommendation of the Compensation Committee. As a result, the Nominating and Corporate Governance Committee made a determination that the risks arising from the Company's compensation policies and practices for its employees are not reasonably likely to have a material adverse effect on the Company.

In February 2013, we followed the risk assessment process described in the preceding paragraph and again reached a determination that the risks arising from the Company's compensation policies and practices for its employees are not reasonably likely to have a material adverse effect on the Company.



COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

COMPENSATION COMMITTEE

Alan R. Buckwalter, III (Chairman)

Anthony L. Coelho

John W. Mecom, Jr.

Marcus A. Watts

## CERTAIN INFORMATION WITH RESPECT TO OFFICERS AND DIRECTORS

## Compensation

The following table sets forth information for the three years ended December 31, 2012 with respect to the Chief Executive Officer, the Chief Financial Officer and the three other most highly compensated executive officers of the Company. The determination as to which executive officers were most highly compensated was made with reference to the amounts required to be disclosed under the "Total" column in the table reduced by the amounts in the "Change in Pension Value and Nonqualified Deferred Compensation Earnings" column.

## Summary Compensation Table

Name and Principal Position	Year	Salary	Restricted Stock Awards(1)	Option Awards(1)	Non-Equity Incentive Plan Compensation(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings(3)	All Other Compensation(4)	Total
R. L. Waltrip Chairman of the Board	2012	\$951,200	\$624,683	\$633,795	\$2,924,303	0	\$376,545	\$5,510,000
	2011	951,015	560,582	583,599	2,317,022	0	326,651	4,738,800
	2010	950,000	529,175	531,600	1,266,825	0	383,935	3,661,500
Thomas L. Ryan President and Chief Executive Officer	2012	1,014,200	1,296,300	1,318,703	4,584,075	36,573	879,073	9,128,900
	2011	1,010,092	1,159,510	1,205,378	3,255,584	14,245	713,496	7,358,300
	2010	948,077	991,250	998,764	1,393,508	16,313	711,976	5,059,800
Michael R. Webb Executive Vice President and Chief Operating Officer	2012	669,200	634,740	644,018	2,338,052	71,121	636,892	4,994,000
	2011	665,285	560,582	583,599	1,711,452	33,574	511,445	4,065,900
	2010	624,038	462,837	464,863	833,438	39,372	496,108	2,920,600
Eric D. Tanzberger Senior Vice President and Chief Financial Officer	2012	481,031	315,135	319,283	1,019,909	21,336	339,936	2,496,600
	2011	460,177	280,291	291,800	775,199	7,871	249,182	2,064,500
	2010	424,038	181,475	182,953	340,043	8,921	255,139	1,392,500
Sumner J. Waring, III Senior Vice President Operations	2012	451,800	280,493	283,845	982,618	0	332,476	2,331,200
	2011	450,561	245,597	255,802	753,751	0	306,042	2,011,700
	2010	423,077	181,475	182,953	358,849	0	270,116	1,416,400

The Restricted Stock Awards and Option Awards columns set forth the aggregate grant date fair value computed in (1) accordance with FASB ASC Topic 718. The assumptions made for the valuation of the awards are set forth in note 14 to the consolidated financial statements included in the SCI 2012 Annual Report on Form 10-K.

(2) The Non-Equity Incentive Plan Compensation is composed of the following:

	Year	Annual Performance-Based Incentive Paid in Cash	Performance Units (a)
R .L. Waltrip	2012	\$1,288,543	\$1,635,760
	2011	1,271,754	1,045,268
	2010	1,266,825	0
Thomas L. Ryan	2012	1,511,275	3,072,800
	2011	1,491,584	1,764,000
	2010	1,393,508	0
Michael R. Webb	2012	906,532	1,431,520
	2011	894,720	816,732
	2010	833,438	0
Eric D. Tanzberger	2012	456,869	563,040
	2011	432,199	343,000
	2010	340,043	0
Sumner J. Waring, III	2012	419,578	563,040
	2011	427,019	326,732
	2010	358,849	0

(a) Performance Units for 2012 related to the performance period of 2010-2012. Performance Units for 2011 related to the performance period of 2009-2011.

This column sets forth the change in the actuarial present value of each executive's accumulated benefit in 2012, 2011, and 2010 for the Supplemental Executive Retirement Plan for Senior Officers. The assumptions made for (3) quantifying the present value of the benefits are set forth in note 15 to the consolidated financial statements included in the SCI 2012 Annual Report on Form 10-K.

(4) All Other Compensation includes the following:

#### 2012 All Other Compensation

Name	Contributions To Deferred Compensation Plan (a)	Contributions to 401 (k) Plan (a)	Life Insurance Related (b)	Disability Insurance (c)	Perquisites Personal Use of Aircraft (d)	Financial Planning (e)	Medical Reimbursement (f)	Other (g)
R. L. Waltrip		\$ 18,750	\$ 12,000		\$161,107	\$28,000	\$ 14,620	\$142,068
Thomas L. Ryan	\$ 670,688	18,750	9,940	\$8,691	149,814	2,000	11,307	7,884
Michael R. Webb	402,955	18,750	12,646	12,178	177,699	5,170	7,494	
Eric D. Tanzberger	213,004	18,750	2,579		84,458	8,561	12,584	
Sumner J. Waring, III	201,218	18,750	2,518		89,577	1,200	19,213	

(a) The amounts represent contributions by the Company to the accounts of executives in the plans identified in the table.

(b) The amounts represent payment for term life insurance premiums or supplemental life insurance.

(c) The amounts represent the costs of premiums paid by the Company for long-term disability insurance. Disability insurance costs are being shifted to the individual officers in connection with the Company's restructuring of the long-term disability policy.

(d)

The amounts represent the incremental cost of personal use of the Company's leased aircraft. The cost includes the average cost of fuel used, direct costs incurred such as flight planning services and food, and an hourly charge for maintenance of engine and airframe.

- (e) The amounts represent payments by the Company for tax and financial planning services incurred by the executives.
- (f) The amounts represent payments by the Company to the executive for medical expenses which are incurred but which are not reimbursed to the executive by the Company's health insurance.  
For Mr. Waltrip, the amount in this column represents the costs of providing for him an automobile (\$28,866),
- (g) personal security and driving services of employees (\$40,827) and guard and alarm services at his residence (\$72,375). For Mr. Ryan, the amount represents the cost of providing security services at his residence.

## Grants of Plan-Based Awards

The following table sets forth plan-based awards granted in 2012.

## Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Restricted Stock Awards: Number of Shares of Stock	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards (\$/Sh)	Closing Market Price of Grant (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
		Performance units (#)	Threshold (\$)	Target (\$)					
R. L. Waltrip	2/7/2012		\$ 1	\$951,200				\$1,902,400	
	2/7/2012	694,000	173,500	694,000				1,388,000	
	2/7/2012				55,900			\$ 624,683	
	2/7/2012					186,000	\$ 11.175	\$ 11.15	633,795
Thomas L. Ryan	2/7/2012		1	1,115,620				2,231,240	
	2/7/2012	1,440,000	360,000	1,440,000				2,880,000	
	2/7/2012				116,000			1,296,300	
	2/7/2012					387,000	11.175	11.15	1,318,703
Michael R. Webb	2/7/2012		1	669,200				1,338,400	
	2/7/2012	706,000	176,500	706,000				1,412,000	
	2/7/2012				56,800			634,740	
	2/7/2012					189,000	11.175	11.15	644,018
Eric D. Tanzberger	2/7/2012		1	337,260				674,520	
	2/7/2012	350,000	87,500	350,000				700,000	
	2/7/2012				28,200			315,135	
	2/7/2012					93,700	11.175	11.15	319,283
Sumner J. Waring, III	2/7/2012		1	271,080					