

**CARRIAGE SERVICES, INC.**  
**(the “Company”)**

**COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS**  
**CHARTER**

**Revised June 26, 2013**

**I. PURPOSE**

The Compensation Committee (the “Committee”) is appointed by the Company’s full Board of Directors (the “Board”) to discharge the Board’s responsibilities relating to compensation of the Company’s directors and officers as set forth in this Compensation Committee Charter (this “Charter”).

The Committee has overall responsibility to:

A. Review, evaluate and approve the officer and recommend to the Board director compensation plans, policies and programs of the Company;

B. Produce an annual report (the “Compensation Committee Report”) as required by Item 407(e)(5) of Regulation S-K on executive compensation for inclusion in the Company’s proxy statement for its annual meeting of stockholders (the “Proxy Statement”) in accordance with the applicable rules and regulations;

C. Otherwise discharge the Board’s responsibilities relating to compensation of the Company’s officers and directors; and

D. Perform such other functions as the Board may assign to the Committee from time to time.

**II. COMMITTEE MEMBERSHIP**

The Committee shall consist of no fewer than two members of the Board. Each member of the Committee shall meet the independence requirements of the New York Stock Exchange (the “NYSE”) and Section 952(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. In addition, at least two members of the Committee shall be “Non-Employee Directors” for the purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and “outside directors” for the purposes of Section 162(m) of the Internal Revenue Code.

The members of the Committee and its Chairman shall be selected annually by the Board on the recommendation of the Governance Committee. The members of the Committee shall serve for such term or terms as the Board may determine or until earlier resignation or death. Any vacancy may be filled and/or any Committee member may be removed by the affirmative vote of a majority of the Board. If a Chairman is not designated by the Board or present at a

meeting, the Committee may designate a Chairman by majority vote of the Committee members then in office.

### **III. COMMITTEE AUTHORITY AND RESPONSIBILITIES**

The Committee is delegated all authority of the Board as may be required or advisable to fulfill the purposes of the Committee.

#### ***A. Authority***

Without limiting the generality of the preceding statements, the Committee shall have the authority to:

1. Conduct or authorize investigations into any matter within the scope of the responsibilities delegated to the Committee as it deems appropriate, including the authority to request any officer, employee or advisor of the Company to meet with the Committee or any advisors engaged by the Committee;

2. In its sole discretion, retain and determine funding for independent legal counsel as well as other experts and advisers, including the authority to retain, approve the fees payable to, amend the engagement with, and terminate any compensation consultant to be used in the evaluation of compensation for the Company's directors, the Chief Executive Officer ("CEO") and every other employee at the level of Senior Vice President or higher (the CEO and such other officers being collectively referred to as "Senior Management"), as it deems necessary or appropriate to fulfill its responsibilities. The Company must provide for appropriate funding, as determined by the Committee, for payment of (a) compensation to any advisers employed by the Committee and (b) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties; and

3. Delegate to its Chairman, any one of its members or any subcommittee it may form, the responsibility and authority for any particular matter, as it deems appropriate from time to time under the circumstances. Each subcommittee shall keep minutes and regularly report to the Committee.

#### ***B. Responsibilities***

The Committee shall have the following responsibilities:

##### *Executive Compensation*

1. The Committee shall annually review, modify (if necessary) and approve the Company's peer companies and data sources for purposes of evaluating the Company's compensation competitiveness and establishing the appropriate competitive positioning of the levels and mix of compensation elements.

2. The Committee shall annually review, modify (if necessary) and approve corporate goals and objectives relevant to the compensation of the CEO. The Committee shall also evaluate the CEO's performance in light of those goals and objectives. The Committee shall further determine and approve the CEO's compensation levels based on this evaluation. In determining the long-term incentive component, if any, of the CEO compensation, the Committee should consider the Company's performance and relative stockholder return, the value of similar incentive awards to CEOs at comparable companies, and the awards given to the CEO in past years. The Committee is not precluded from approving awards (with or without ratification of the Board) as may be required to comply with applicable tax laws.

3. The Committee shall annually review and approve, for the CEO and, in consultation with the CEO, the other members of Senior Management, (a) the annual base salary level, (b) the annual incentive opportunity level, (c) the long-term incentive opportunity level, (d) employment agreements, severance arrangements, and change in control agreements/provisions, in each case as, when and if appropriate, and (e) any special or supplemental benefits not generally available to all employees. The Committee may approve any such arrangements for members of Senior Management with or without full Board approval, as the Committee may determine.

4. The Committee shall review and discuss with the Company's management the Compensation Discussion and Analysis ("CD&A") to be included in the Company's Proxy Statement, and, based on that review, determine whether to recommend to the Board that the CD&A be included in the Proxy Statement in accordance with applicable rules and regulations.

5. The Committee shall annually prepare a Compensation Committee Report as required by Item 407(e)(5) of Regulation S-K and publish the report in the Proxy Statement in accordance with applicable rules and regulations.

6. The Committee shall review and recommend to the Board how frequently the Company should permit its stockholders to have an advisory vote on executive compensation ("say-on-pay"). This review should take into account the historical results of stockholder advisory votes on the frequency of say-on-pay resolutions at the Company.

7. Following each stockholder meeting at which say-on-pay resolutions are proposed for a stockholder advisory vote, the Committee shall review the results of the advisory vote, and consider whether to make any adjustments to the Company's executive compensation policies and practices.

8. To the extent required by law, the Committee shall prepare and recommend to the Board for adoption a claw-back policy that complies with applicable rules and regulations, including the rules and regulations of the Securities and Exchange Commission, and the listing standards of the NYSE.

#### *Incentive and Equity Compensation*

9. The Committee shall annually review and make recommendations to the Board with respect to incentive-compensation plans and equity-based plans that are subject to Board approval and shall administer the Second Amended and Restated 2006 Long-Term Incentive

Plan or any other incentive-compensation or equity-based plans as designated by the Board and approved by the Company's stockholders (collectively, the "Plans"). The Committee shall have total and exclusive responsibility to control, operate, manage and administer the Plans in accordance with their terms. The Committee shall have all the authority that may be necessary or helpful to enable it to discharge its responsibilities with respect to the Plans. Without limiting the generality of the preceding sentence, the Committee shall have the exclusive right to: (a) interpret the Plans and the award agreements executed thereunder; (b) decide all questions concerning eligibility for, and the amount of, awards granted under the Plans; (c) construe any ambiguous provision of the Plans or any award agreement; (d) prescribe the form of award agreements; (e) correct any defect, supply any omission or reconcile any inconsistency in the Plans or any award agreement; (f) issue administrative guidelines as an aid to administering the Plans and make changes in such guidelines as the Committee from time to time deems proper; (g) make regulations for carrying out the Plans and make changes in such regulations as the Committee from time to time deems proper; (h) determine whether awards should be granted singly or in combination; (i) to the extent permitted under the Plans, grant waivers of terms of the Plans, conditions, restrictions and limitations; (j) accelerate the exercise, vesting or payment of an award when such action or actions would be in the best interests of the Company; (k) require participants in the Plans to hold a stated number or percentage of shares of common stock of the Company acquired pursuant to an award for a stated period; and (k) take any and all other actions the Committee deems necessary or advisable for the proper operation or administration of the Plans. The Committee shall have authority in its sole discretion with respect to all matters related to the discharge of its responsibilities and the exercise of its authority under the Plans, including without limitation its construction of the terms of the Plans and its determination of eligibility for participation in, and the terms of awards granted under, the Plans.

#### Director Compensation

10. The Committee shall annually review and make recommendations to the Board with respect to the compensation structure for directors (members of the full Board and Committees thereof), including director fees, stock grants and options under equity-based plans. The Committee will consider that a director's independence may be jeopardized if (a) his or her compensation and perquisites exceed customary levels, (b) the Company makes substantial charitable contributions to organizations with which the director is affiliated or (c) the Company enters into consulting contracts with (or provides other indirect forms of compensation to) the director or an organization with which the director is affiliated. Directors who are employees of the Company shall not receive any additional compensation for service on the Board.

#### Other Powers and Responsibilities

11. If the Committee engages a compensation consultant, independent legal counsel or other adviser, then the Committee is directly responsible for the appointment, approval of the compensation for and oversight of such consultant, counsel, or adviser. Prior to any such engagement, the Committee shall analyze the relationships such consultants, counsel, or advisers have with members of the Committee as well as management and the Company as a whole. This analysis will include the specific factors identified by the Securities and Exchange Commission and NYSE that affect the independence of compensation advisers.

12. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

#### **IV. PROCEDURES**

1. The Committee shall meet at the call of its Chairman, two or more members of the Committee or the Chairman of the Board. The Committee shall meet as frequently as circumstances dictate. Meetings of the Committee may be in person, by conference call or by unanimous written consent, in accordance with the Company's bylaws. Meetings of the Committee shall be held at such time and place, and upon such notice, as its Chairman may from time to time determine. The Committee shall keep such records of its meetings as it deems appropriate. Meetings may, at the discretion of the Committee, include non-independent directors, members of the Company's management, independent advisors and consultants or any other persons whose presence the Committee believes to be necessary or appropriate. Those in attendance may observe meetings of the Committee, but shall not participate in any discussion or deliberation unless invited to do so by the Committee, and in any event shall not be entitled to vote. Notwithstanding the foregoing, the Committee may also exclude from its meetings any persons it deems appropriate, including, but not limited to, any director that is not a member of the Committee.

2. A majority of the Committee's members shall constitute a quorum. The Committee shall act on the affirmative vote of a majority of members present at a meeting at which a quorum is present. The Committee may also act by unanimous written consent in lieu of a meeting.

3. The Committee may determine additional rules and procedures, including designation of a Chair pro tempore in the absence of its Chairman and designation of a secretary of the Committee at any meeting thereof.

4. The Committee shall maintain minutes of its meetings and make regular oral or written reports to the Board, directly or through its Chairman, of its actions and any recommendations to the Board.

5. The Committee shall annually review and evaluate its own performance and shall submit itself to a review and evaluation by the Board.

6. Subject to the Company's Governance Guidelines and other policies, Committee members, including the Chairman, will be reimbursed by the Company for all reasonable expenses incurred in connection with their duties as Committee members or as Chairman.

#### **V. POSTING REQUIREMENT**

The Company shall make this Charter available on or through the Company's website as required by applicable rules and regulations. In addition, the Company shall disclose in the Proxy Statement that a copy of this Charter is available on the Company's website and provide the website address.

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While the Committee members have the duties and responsibilities set forth in this Charter, nothing contained in this Charter is intended to create, or should be construed as creating, any responsibility or liability of the Committee members, except to the extent otherwise provided under applicable federal or state law.