

CARRIAGE SERVICES, INC.

(the “Company”)

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

CHARTER

Revised February 15, 2017

I. PURPOSE

The Board of Directors (the “Board”) of the Company has established the Audit Committee of the Board (the “Committee”) with authority, responsibility, and specific duties as described in this Audit Committee Charter (this “Charter”). The Committee shall promote the Company’s **Mission** to being the most professional, ethical, and highest quality funeral and cemetery service organization in the death care industry and shall keep in mind the Company’s **High Performance Culture Framework** and **Five Guiding Principles**:

- **Honesty, integrity, and quality in all that we do.**
- **Hard work, pride of accomplishment, and shared success through employee ownership.**
- **Belief in the power of people through individual initiative and teamwork.**
- **Outstanding service and profitability go hand-in-hand.**
- **Growth of the company is driven by decentralization and partnership.**

To achieve the **Mission** of **Being The Best**, the Committee shall:

A. Assist the Board in fulfilling its oversight responsibilities regarding the:

1. integrity of the financial statements of the Company;
2. the Company’s independent registered public auditor’s (the “independent auditor’s”) qualifications, independence, and performance;
3. performance, function, and design of the Company’s internal audit function; and
4. compliance by the Company with legal and regulatory requirements.

B. Annually prepare the reports required by the rules of the Securities and Exchange Commission (the “SEC”) to be included in certain of the Company’s filings with the SEC, including the annual proxy statement for its annual meeting of stockholders; and

C. Perform such other functions as the Board may assign to the Committee from time to time in accordance with the Company’s guiding principles and otherwise.

II. COMMITTEE MEMBERSHIP

The Committee shall consist of no fewer than three members. Given that the members of the Committee are essential for ensuring the Company's high performance, they shall meet the independence and experience requirements of Rule 10A-3 of the Securities Exchange Act of 1934 and the New York Stock Exchange, and at least one member of the Committee shall be an "audit committee financial expert" (as defined in Item 407(d)(5)(ii) of Regulation S-K, such person being presumed to have accounting or related financial management expertise). The members of the Committee must be financially literate, as determined by the Board, who shall appoint the members of the Committee on the recommendation of the Corporate Governance Committee. Committee members may be replaced by the Board. 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 any Committee member may be removed by the affirmative vote of a majority of the Board.

Committee members shall not simultaneously serve on the audit committees of more than two other public companies.

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. Specifically, the Committee shall have the following authority and responsibilities:

- A. To select and retain the independent registered public accounting firm to act as the Company's independent auditors for the purpose of auditing the Company's annual financial statements, books, records, accounts, and internal controls over financial reporting (subject to stockholder ratification), set the compensation of the Company's independent auditors, oversee the work done by the Company's independent auditors, and terminate the Company's independent auditors, if necessary. The Committee shall further have the sole authority to select, retain, compensate, oversee, and terminate, if necessary, any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
- B. Receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to the Company's independent auditors, any other accounting firm engaged to perform services for the Company, any outside counsel and any other advisors to the Committee;
- C. To approve all audit engagement fees and terms; and pre-approve all audit and permitted non-audit and tax services that may be provided by the Company's independent auditors or other registered public accounts, and establish policies and procedures for the Committee's pre-approval of permitted services by the Company's independent auditors or other registered public accounting firms on an ongoing basis;

- D. At least annually, to obtain and review a report from the independent auditor that describes:
1. the accounting firm's internal quality-control procedures;
 2. any material issues raised by the most recent quality-control review, peer review, or Public Company Accounting Oversight Board review or inspection of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm;
 3. any steps taken to deal with any such issues; and
 4. all relationships between the independent auditor and the Company or any of its subsidiaries, and to discuss with the independent auditors this report and any relationships or services that may impact the objectivity and independence of the auditors;
- E. To set Company hiring policies for employees or former employees of the Company's independent auditors; and at least annually, to evaluate the qualifications, performance and independence of the Company's independent auditors, including an evaluation of the lead audit partner; and to assure the regular rotation of the lead audit partner of the Company's independent auditors and consider regular rotation of the accounting firm serving as the Company's independent auditors;
- F. Review and discuss with the Company's independent auditors:
1. all critical accounting policies and practices to be used in the audit;
 2. all alternative treatments of financial information within generally accepted accounting principles ("GAAP") that have been discussed with management, the ramifications of the use of such alternative treatments and the treatment preferred by the auditors;
 3. any audit problems or difficulties, including difficulties encountered by the Company's independent auditors during their audit work (such as restrictions on the scope of their activities or their access to information);
 4. any significant disagreements with management, and management's response to these problems, difficulties, or disagreements; and to resolve any disagreements between the Company's auditors and management;
 5. any major issues regarding accounting principles and financial statement presentation, including any significant changes in the Company's selection or application of accounting principles;

6. any significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including the effects of alternative GAAP methods;
 7. the effect of regulatory and accounting initiatives and off-balance sheet structures on the Company's financial statements; and
 8. other material written communications between the auditors and management, including any other matters required to be discussed by Public Company Accounting Oversight Board Auditing Standards No. 16, Communications with Audit Committees;
- G. To review, approve and oversee any transaction between the Company and any related person (as defined in Item 404 of Regulation S-K), and any other potential conflict of interest situations on an ongoing basis, and to develop policies and procedures for the Committee's approval of related party transactions, and further to keep the Company's independent auditors informed of the Committee's understanding of the Company's relationships and transactions with related parties that are significant to the Company; and to review and discuss with the Company's independent auditors the auditors' evaluation of the Company's identification of, accounting for, and disclosure of its relationships and transactions with related parties, including any significant matters arising from the audit regarding the Company's relationships and transactions with related parties;
- H. To review the adequacy and effectiveness of the Company's internal control over financial reporting and disclosure controls and procedures, including any significant deficiencies or material weaknesses in the design or operation of, and any material changes in, the Company's processes, controls and procedures and any special audit steps adopted in light of any material control deficiencies, and any fraud involving management or other employees with a significant role in such processes, controls and procedures, and review and discuss with management and the Company's independent auditors disclosure relating to the Company's financial reporting processes, internal control over financial reporting and disclosure controls and procedures, and, prior to filing, the required management certifications to be included in or attached as exhibits to the Company's annual report on Form 10-K or quarterly report on Form 10-Q, as applicable;
- I. To review and discuss with the Company's independent auditors and management the Company's annual audited financial statements (including the related notes), the form of audit opinion to be issued by the auditors on the financial statements and the disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's annual report on Form 10-K before the Form 10-K is filed and to recommend to the Board that the audited financial statements and the Management's Discussion and Analysis of Financial Condition and Results of

Operations section be included in the Company's Form 10-K and produce the audit committee report required to be included in the Company's proxy statement;

- J. To review and discuss with the Company's independent auditors and management the Company's quarterly financial statements and the disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's quarterly report on Form 10-Q before the Form 10-Q is filed;
- K. To review, discuss with the Company's independent auditors, and approve the functions of the Company's internal audit department, including its purpose, authority, organization, responsibilities, budget and staffing; to review the scope and performance of the department's internal audit plan, including the results of any internal audits, and any reports to management and management's response to those reports, and to review annually the adequacy and succession planning of the Company's accounting and financial personnel;
- L. To review and discuss with management and the Company's independent auditors the Company's earnings press releases, including the type of information to be included and its presentation and the use of any pro forma, adjusted or other non-GAAP financial information, and any financial information and earnings guidance provided to analysts and ratings agencies, including the type of information to be disclosed and type of presentation to be made;
- M. To establish and oversee procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters;
- N. To review and discuss with management and the internal audit department the risks faced by the Company and the policies, guidelines, and process by which management assesses and manages the Company's risks, including the Company's major financial risk exposures, and the steps management has taken to monitor and control such exposures; and
- O. To review the Company's compliance with applicable laws and regulations and to review and oversee the Company's policies, procedures, and programs designed to promote and monitor legal (including review, with legal counsel, legal and regulatory matters that could have a significant impact on the Company's financial statements), regulatory, and ethical compliance (including monitoring compliance with the Company's Code of Business Conduct and Ethics (the "Code"), to investigate any alleged breach or violation of the Code, and to enforce the provisions of the Code), and to review and approve the hiring or dismissal of the senior compliance leader.

IV. PROCEDURES

- A. *Meetings.* The Board shall designate a member of the Committee as the chairperson. 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. The Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee shall meet at the call of its Chairman, two or more members of the Committee, or the Chairman of the Board. Meetings of the Committee may be in person, by conference call, or by unanimous written consent, in accordance with the Company's by-laws. 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. Meetings may, at the discretion of the Committee, include non-independent directors, members of the Company's management, independent advisors and consultants, representatives of the independent auditor, the internal auditor, any other financial personnel employed or retained by the Company, 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.
- B. *Quorum and Approval.* 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.
- C. *Rules.* 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.
- D. *Delegation.* The Committee shall have the authority to delegate any of its responsibilities, along with the authority to take action in relation to such responsibilities, to one or more subcommittees as the Committee may deem appropriate in its sole discretion.
- E. *Reports.* 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.
- F. *Fees; Reimbursement of Expenses.* Each member of the Committee as well as the Chairman shall be paid the fee set by the Board for his or her services as a member, or Chairman, as the case may be, of the Committee. Subject to the Company's Corporate 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.

G. *Review.* The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Committee shall annually review the Committee's own performance and shall submit itself to a review and evaluation by the Board.

V. LIMITATION OF AUDIT COMMITTEE'S ROLE

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles, applicable rules, and regulations. These are the responsibilities of management and the independent auditor. 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.

VI. 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 its proxy statement for its annual meeting of stockholders that a copy of this Charter is available on the Company's website and provide the website address.

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