

SERVICE CORP INTERNATIONAL

Form DEF 14A

April 10, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

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

Filed by the Registrant Filed by a Party other than the Registrant

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 Under Rule 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)

PAYMENT OF FILING FEE (CHECK THE APPROPRIATE BOX):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

Service Corporation International  
Proxy Statement and  
2018 Annual Meeting Notice

---

2017:  
Delivering  
Shareholder  
Value

Total  
Shareholder  
Return

GAAP  
Performance  
Measures  
GAAP - Generally Accepted Accounting Principles  
Adjusted  
Performance  
Measures\*

\*Please see Annex A for disclosures and reconciliations to the appropriate GAAP measure.

---

TABLE OF CONTENTS	
<u>2018 Annual Meeting of Shareholders</u>	<u>1</u>
Voting Matters	<u>1</u>
How To Vote	<u>1</u>
<u>Q&amp;A WITH OUR CHAIRMAN AND CEO</u>	<u>2</u>
<u>MESSAGE FROM OUR BOARD OF DIRECTORS</u>	<u>6</u>
PROXY STATEMENT SUMMARY	<u>8</u>
Corporate Governance Highlights and Changes	<u>8</u>
Shareholder and Proxy Advisor Outreach	<u>8</u>
Board Snapshot	<u>10</u>
Director Nominees	<u>11</u>
Continuing Directors	<u>11</u>
Overview of Director Skills and Experience	<u>12</u>
CORPORATE GOVERNANCE AT SERVICE CORPORATION INTERNATIONAL	<u>13</u>
Proposal 1: Election of Directors	<u>13</u>
Director Ownership of SCI Stock	<u>17</u>
Consideration of Director Nominees	<u>17</u>
Director Independence	<u>18</u>
Change in Leadership Structure	<u>18</u>
Risk Oversight	<u>18</u>
No Shareholders Rights Plan	<u>19</u>
Lead Independent Director	<u>19</u>
Special Meeting of Shareholders	<u>20</u>
Board Composition and Meetings	<u>20</u>
Annual Board and Committee Evaluations	<u>20</u>
Board Orientation and Education Program	<u>20</u>
Executive Sessions	<u>21</u>
Board Committees	<u>21</u>
Director Compensation	<u>24</u>
AUDIT COMMITTEE MATTERS	<u>26</u>
Proposal 2: Proposal to Approve the Selection of the Independent Registered Public Accounting Firm	<u>26</u>
Report of the Audit Committee	<u>26</u>
Audit Fees and All Other Fees	<u>28</u>
COMPENSATION DISCUSSION AND ANALYSIS	<u>29</u>
Proposal 3: Advisory Vote to Approve Named Executive Officer Compensation	<u>29</u>
Introduction	<u>29</u>
Executive Summary	<u>30</u>
Key Features of Our Compensation Programs	<u>31</u>
Consideration of 2017 "Say-on-Pay" Vote	<u>31</u>
Compensation Philosophy and Process	<u>32</u>
Annual Base Salaries	<u>34</u>
Annual Performance-Based Incentives Paid in Cash	<u>34</u>
Long-Term Incentive Compensation	<u>36</u>
Other Compensation	<u>37</u>

Further Executive Compensation Practices and Policies	<u>38</u>
How We Make Compensation Decisions	<u>40</u>
Compensation Committee Report	<u>42</u>
EXECUTIVE COMPENSATION TABLES	<u>43</u>
Summary Compensation Table	<u>43</u>
Grants of Plan-Based Awards	<u>45</u>
Outstanding Equity Awards at Fiscal Year End	<u>46</u>
Option Exercises and Stock Vested	<u>47</u>
Executive Deferred Compensation Plan	<u>47</u>
Pension Plans	<u>50</u>
Executive Employment Agreements	<u>50</u>
Potential Payments Upon Termination	<u>52</u>
CERTAIN TRANSACTIONS	<u>53</u>
VOTING SECURITIES AND PRINCIPAL HOLDERS	<u>54</u>
INTRODUCTION TO PROPOSALS 4, 5, AND 6	<u>55</u>
Proposal 4: Proposal to Declassify the Board of Directors	<u>56</u>
Proposal 5: Proposal to Eliminate Certain Supermajority Vote Requirements in our Restated Articles of Incorporation and Bylaws	<u>57</u>
Proposal 6: Proposal to Reduce the Supermajority Vote Requirement to Approve Business Combinations with Interested Shareholders	<u>59</u>
Proposal 7: Shareholder Proposal to Require an Independent Board Chairman	<u>60</u>
OTHER INFORMATION	<u>63</u>
Information About the Meeting and Voting	<u>63</u>
Proxy Solicitation	<u>65</u>
Submission of Shareholder Proposals	<u>65</u>
Other Business	<u>65</u>
Section 16(a) Beneficial Ownership Reporting Compliance	<u>65</u>
ANNEXES	<u>66</u>
Annex A: Non-GAAP Financial Measures	<u>66</u>
Annex B: 2017 Peer Group	<u>68</u>
Annexes C-G: Amendments to Restated Articles of Incorporation and Bylaws	<u>69</u>

---

2018 Annual Meeting of Shareholders

Wednesday,  
 May 23,  
 Date and Time: 2018 at 9:00  
 a.m. Central  
 Time  
 Conference  
 Center,  
 Place: Heritage 1  
 and II  
 Service  
 Corporation  
 International  
 1929  
 Allen  
 Parkway  
 Houston,  
 Texas  
 77019  
 Record Date: March 26,  
 2018

Voting Matters

Proposal	Board Recommendation	Page Number
1. Election of Five Directors	üFOR each Director nominee	<u>13</u>
2. Approval of Appointment of PricewaterhouseCoopers LLP, our Independent Registered Public Accounting Firm "Say-on-Pay" Advisory	üFOR	<u>26</u>
3. Vote to Approve Executive Compensation	üFOR	<u>29</u>
4. Approval of the Declassification of the Board of Directors	üFOR	<u>56</u>
5. Approval of the Elimination of Certain Supermajority Vote Requirements in our Restated Articles of Incorporation and Bylaws	üFOR	<u>57</u>
6.	üFOR	<u>59</u>

Approval of the  
Reduction of the  
Supermajority Vote  
Requirement to Approve  
Business Combinations  
with Interested  
Shareholders

Approval of the  
Shareholder Proposal to  
7. Require an Independent <sup>û</sup> AGAINST 60  
Board Chairman

How to Vote  
By Internet

Vote your shares at [www.proxyvote.com](http://www.proxyvote.com).

your Notice of Internet Availability or proxy card in hand for the 16-digit control number.

For 2018, there is an annual meeting website to make it even easier to access our annual meeting materials. At the annual meeting, you will receive an overview of the items for voting, our Proxy Statement and annual report to read online or to download, and a link to vote your shares.

1 [www.sciannualmeeting.com](http://www.sciannualmeeting.com)

---

Q&A WITH OUR CHAIRMAN AND CEO

Q&A WITH OUR CHAIRMAN AND CEO

Tom  
Ryan  
answers  
questions  
received  
from  
shareholders  
over  
the  
course  
of  
2017.

How has the business performed over the last 12 months?

For the full year 2017, we reported over 20% growth in adjusted earnings per share and approximately 11% growth in adjusted operating cash flows excluding recurring cash taxes, while we expanded comparable funeral and cemetery segment profit margin by 70 and 140 basis points, respectively. The resulting cash flows allowed us to deploy capital of \$402 million to acquisition and new build opportunities, dividends, and share repurchases.

During 2017, we generated an impressive \$1.55 of adjusted earnings per share, which exceeded the top end of our adjusted guidance range. This amount included a little more than \$0.09 of excess tax benefits from a new accounting standard for share-based compensation that was not reflected in the prior

year and had the effect of lowering our tax rate in 2017. We also enjoyed further tax benefits in 2017, primarily as a result of additional tax planning by our tax team, which improved earnings per share by an additional \$0.05.

We generated \$554 million in adjusted operating cash flows for 2017, which is \$46 million over the prior year and surpassed the high end of our guidance range of \$515 million. Cash flow results during 2017 benefited by \$20 million of non-earnings and nonrecurring cash flow from our endowment care trust funds offset by about \$20 million of higher anticipated cash tax payments.

Adjusted Earnings Per Share and Adjusted Operating Cash Flow are non-GAAP financial measures. Please see Annex A for disclosures and reconciliations to the appropriate GAAP measure.

2 [www.sciannualmeeting.com](http://www.sciannualmeeting.com)



## Q&A WITH OUR CHAIRMAN AND CEO

What are Service Corporation International's strategies for growth?

Our three core strategies are centered around our customer and competitive advantages. The first core strategy is revenue growth, which we plan to achieve by remaining relevant to our customers and driving preneed sales. Second, is leveraging our scale through the development of our sales force, optimum management of our \$10.7 billion backlog, and the utilization of technology during customer interactions. Our third core strategy is capital deployment, which is a blended approach of deploying capital to the highest relative return opportunity.

### 1. Revenue Growth

Remaining relevant to our customers is key to generating revenue growth in a changing consumer environment. When we say remaining relevant, we mean staying ahead of trends in our business. These include an increasing preference for cremation, serving a growing ethnic population, particularly Hispanic and Asian, and a shift away from traditional mourning to contemporary celebrations of life.

These changing trends require us to be much more flexible, providing products and services that meet the modern needs of our customer. In the funeral segment, we deploy capital strategically to meet the needs of the customer by changing or updating our physical locations for event rooms or through customer-facing technology. We are focusing on unique celebration services, counseling, estate planning, and adherence to religious and ethnic traditions. We provide quality, simplicity, various location preferences, and specific cultural preferences. We are embracing cremation opportunities within both the funeral home and non-funeral home channels.

In the cemetery business, we provide property and merchandise options that meet the baby-boomer generation desires for exclusivity, privacy, elevation, or scenic views. We also strive to meet the specific needs of our growing custom-conscious consumers.

Driving preneed sales provides several benefits. Offering preneed merchandise and services provides our customers peace of mind, allowing them to express their wishes about funeral and cemetery arrangements, which relieves their loved ones of the emotional and financial burden at the time of need. We believe preneed sales increase our future market share and create brand awareness, while allowing us to address varying customer needs and preferences.

We are growing our business while embracing technology that our customers have come to expect in their daily lives, with a focus on visualization and simplification of the selection process.

### 2. Leverage Scale

Our second core strategy is leveraging scale. Our scale gives us tremendous competitive advantages helping to drive future revenue and cost efficiencies.

#### Network Optimization

We have invested in the development of our sales organization through the use of new tools and capabilities. We are continuously improving our customer-facing technology to ensure our customers have meaningful experiences that are efficient and seamless, whether in an atneed arrangement or during a preneed presentation or even online.

Additionally, we leverage a world-class customer relationship management system, which helps drive improvements in productivity and sales production through enhanced analytics.

SCI recently completed a redesign of almost 2,000 Dignity Memorial® location websites. Featuring a modern, user-friendly design, the Company's websites have been optimized for mobile use and updated with enhanced search engine optimization capability. In addition to the contemporary and sophisticated design, client families now experience new features like a streamlined obituary process, social media sharing capabilities, and the ability to create and share personalized content in memory of their loved one.

We are also continuously driving down costs through the maximization of purchasing power and utilizing economies of scale through our supply chain team.

#### Preneed Backlog

Our preneed backlog, which includes both insurance and trust-funded products, allows us the opportunity to grow future revenue in a more stable and efficient manner than selling at the time of need. Our insurance-funded products benefit from favorable terms with our insurance partner allowing for enhanced immediate as well as long-term

earnings and cash flow benefits. The scale of our trust portfolios allows us to leverage access to preeminent money managers with favorable fee structures that generate superior returns.

Our blended funding approach between insurance and trust funded products allows us to combine the positive cash flow and predictability of the insurance product with the upside of future returns from our trusted products. This results in cash flow neutral preneed funeral funding and favorable contracts coming out of the backlog today to be serviced with growth rates that are superior to inflationary at-need pricing.

3 [www.sciannualmeeting.com](http://www.sciannualmeeting.com)

---

## Q&A WITH OUR CHAIRMAN AND CEO

### 3. Capital Deployment

Our third core strategy of deploying capital reflects our disciplined approach to target capital deployment opportunities with the best return for our shareholders. The foundation of our strategy is our strong liquidity and favorable debt maturity profile.

We believe the opportunities with the highest current returns are in acquisition and growth capital. We expect to spend \$50 to \$100 million a year on acquisitions that generally have internal rates of return (IRR) in the mid to high teens. We anticipate investing another \$20 to \$25 million on new builds, which have returns in the low to mid teens, but have nice long-term growth trajectories. Finally, as it relates to growth capital, we expect to invest another \$80 million on cemetery property development, which takes existing undeveloped cemetery property and creates tiered property options - everything from roads, drainage, and irrigation to mausoleums or private estates. These incremental investments generate some of our strongest internal rates of return.

We feel strongly that as the Company grows we will distribute an incremental amount to our shareholders in the form of a dividend. We currently target a payout ratio of 30% to 40% of adjusted net income. Additionally, any excess cash flow is then available for share repurchases, which have been an important aspect to our capital deployment strategy. We utilize a value-weighted share repurchase approach that is based on our view of the discount our shares are trading at compared to our intrinsic value. Lastly, we actively manage our near-term liquidity profile and leverage targets as a foundation to our deployment strategy. We target a favorable debt maturity profile and a 3.5x to 4.0x leverage ratio.

We believe the execution of these strategies should enable SCI to consistently grow adjusted earnings per share in the 8% to 12% range.

What is Service Corporation International doing to engage shareholders?

We believe communicating regularly to solicit feedback on key business and corporate governance topics with our shareholders is important to our long-term success. We strive for a collaborative approach to shareholder outreach and value the variety of investors' perspectives received, which helps deepen our understanding of their areas of focus and motivations. Items discussed typically cover a wide range of topics, including executive compensation, Board composition including tenure and diversity, and simple versus supermajority voting, among other topics. We share investor feedback directly with our Corporate Governance Committee and full Board. Investors may communicate their comments to the Lead Independent Director by e-mail or letter. Our engagement activities take place throughout the year. Although shareholder outreach is primarily a function of management, members of our Board will also participate when appropriate. In addition to speaking with our institutional investors, we also are responsive to our retail investors and other stakeholders when the opportunity arises.

In February 2018, we held an Investor Day to take a deeper dive into our strategy and to discuss key topics with investors. From January through March 2018, we also engaged directly with shareholders owning 62% of our stock to discuss the three proposals included in this Proxy to understand their positions on each.

The proposals are listed below:

Proposal 4: Proposal to declassify the board

Proposal 5: Proposal to eliminate certain supermajority vote requirements

Proposal 6: Proposal to reduce the supermajority vote requirements to approve business combinations with interested shareholders

These shareholder friendly proposals were the result of prior year discussions and feedback received from shareholders, including Amalgamated Bank, who previously proposed the Simple Majority Voting Requirement advisory vote in our 2017 proxy. As a result of these discussions with our shareholders, we also updated our Corporate

Governance Guidelines to enhance our focus on diversity of our Board of Directors and strengthen our Lead Independent Director role.

For 2018, you will notice a change in our performance unit and performance based incentive compensation plans. This change removes return on equity from the short term incentive plan, reducing these metrics from four to three, and includes it as a modifying metric along with total shareholder return in our long term performance unit plan. The performance unit plan will be denominated in Company shares starting in 2018 to further link share performance of the Company with the participants of the plan. These changes were made based on shareholder feedback received during our outreach discussions.

Can you talk about the emphasis on tenure and diversity for the Board of Directors?

We are committed to selecting highly qualified nominees from diverse backgrounds as candidates for the Board of Directors. Our Board plays a critical role in creating an organization that prioritizes, supports, and invests in diversity, inclusion, and equity.

We believe that the Company benefits from a Board that blends a mix of directors that have a deep understanding of the industry and those who bring fresh business or consumer perspectives.

4 [www.sciannualmeeting.com](http://www.sciannualmeeting.com)

---

## Q&A WITH OUR CHAIRMAN AND CEO

While we believe we have assembled a highly effective Board, we are committed to continuous succession planning and assembling a diverse group of individuals to serve on our Board of Directors. This diversity results in a broader perspective as a whole and provides a healthy environment for innovation and risk mitigation. Diversity has multiple dimensions, including personal factors such as gender, ethnicity, and age, as well as professional characteristics in education, areas of expertise, and professional experience. I believe we are developing a Board with the right composition to bring an impressive blend of experience and perspectives for the Company and its investors with a secondary focus on reducing the average tenure of our Board members.

We updated our Corporate Governance Guidelines to reflect our commitment to diversity. The Corporate Governance Guidelines outline the standards and qualifications we consider for our members of our Board of Directors and are located on our corporate website under About SCI - Corporate Governance. Now included in the Director Qualification Standards as part of the guidelines, we discuss our commitment to diversity and added diverse experiences and backgrounds as a core competency for our Directors.

I am pleased to present our two new Board nominees for consideration, Ms. Jakki Haussler and Ms. Sara Martinez Tucker. I believe that they bring broad and diverse experience and expertise which will best represent the long-term interests of our shareholders.

How is the Company planning to spend tax savings from the 2017 Tax Cuts and Job Act ("Tax Act")?

Our adjusted effective tax rate is expected to be reduced to a range of 24% to 26% in 2018 from 29% in 2017 as a result of the Tax Act. From a cash flow perspective, we anticipate almost \$20 million of cash tax savings over 2017 related to the Tax Act. We have announced our plan to invest approximately \$7 million into nearly 10,000 critical field customer-facing

positions at both our funeral and cemetery operating locations. This is a permanent increase to the pay of these individuals rather than a one time bonus and reflects the commitment we have to our valuable associates. We plan to deploy any excess future tax savings toward opportunities with the best return for our shareholders.

What accomplishment are you most proud of in 2017?

While it was an exceptional year from a financial perspective, from a SCI family perspective, it was an incredibly challenging one. Without a doubt, I am most proud of the incredible family culture SCI associates displayed during one of the most challenging times in our Company's history. Despite multiple hurricanes, extensive wildfires, and the tragic shootings in Las Vegas, our team proved how much can be accomplished when we all come together. I was so proud to watch how our team responded by supporting each other and our local communities. Vendors, members of our Board, and employees all across Canada and the U.S. showed unwavering support through hard work, monetary donations, and the gifting of personal items to help our impacted SCI family members get back on their feet.

Our employees spent countless hours of their own personal time working side by side with their fellow teammates as they cleaned up homes, delivered and sorted personal supplies, and drove thousands of miles to provide a helping hand. We raised approximately \$1 million for our employees and affected communities. While hundreds of employees experienced personal loss of homes, cars, and personal effects, we never lost sight of serving our client families. Our SCI family is made up of tremendous caregivers, fabulous leaders, and real professionals, and I am so proud to be part of our extraordinary team.



## MESSAGE FROM OUR BOARD OF DIRECTORS

### MESSAGE FROM OUR BOARD OF DIRECTORS

Dear Shareholders,

We take seriously the trust you place in us by your purchase of Service Corporation International shares, and we are honored to be stewards of your Company. Below we share with you a few key highlights for 2017.

#### 2017 Company Performance and Compensation Alignment

We are fully committed to helping SCI deliver excellent operating results and create attractive shareholder returns. The Company's performance in 2017 resulted in increased adjusted earnings per share, cash flows, and continued growth in return on equity. During 2017, we delivered total shareholder return of 34%, which exceeded the S&P 500 return of 22%. Over the medium to long term (3 to 10 years), we continue to significantly outperform the major indices. As we look ahead to 2018, our focus continues to be on enhancing shareholder value.

The Compensation Committee understands the focus on aligning executive pay with performance and strongly believes the Company currently aligns pay and performance. At last

year's annual meeting, our advisory "say-on-pay" proposal received the support of over 90% of the votes cast.

Effective in 2018, we made changes to the performance unit plan to add return on equity as a modifier to the total shareholder return metric in response to shareholder feedback. Additionally, we changed the performance units to be denominated in SCI shares rather than units, which we believe will further link share performance of the Company with the payouts from of the plan.

We believe these changes are responsive to your feedback and reinforce the link between our executive team and our shareholders.

#### Board Refreshment

#### Self-Assessment Process

As part of the regular self-assessment process, we consider the current composition and the unique contributions of each current or prospective Director. We attempt to recruit Directors with specialized experience, such as in technology or financial services, as well as Directors whose experience is not represented or is underrepresented on the Board. Mixing new and longer-tenured Directors with different skill sets adds valuable perspectives and knowledge to the Board.

#### Succession Planning

Succession planning is a vitally important concern. We strategically focus on Board composition and make the most of the opportunities to refresh the Board with desired experience and diversity.

#### Shareholder Engagement

The Company maintains dialogue with large institutional investors and proxy advisory firms. Key shareholders have a vested interest and valuable insight into the competency and contribution of the Board members.

As a part of the succession planning process, we considered shareholder feedback and our commitment to tenure and diversity. We strengthened our Lead Director's responsibilities by making revisions to the Company's Bylaws to permit the Lead Director to call a special meeting of the Board and preside over Board meetings in the absence of the Board Chair. We have enhanced our policies, specifically our Corporate Governance Guidelines, to clearly outline our policies and expectations for diversity and inclusion.

#### Board Tenure, Diversity, and Corporate Governance Guidelines

Board recruitment and diversity are priorities for us. The Nominating and Corporate Governance Committee strives to maintain an engaged, independent Board with broad and diverse experience and judgment that is committed to representing the long-term interests of our shareholders. The Nominating and Corporate Governance Committee is

charged with reviewing the composition of the Board and refreshing the members as appropriate. With this in mind, the Committee continuously reviews potential candidates and recommends nominees to the Board for approval.

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 composed entirely of independent Directors.

As part of our succession planning efforts, we have considered shareholder feedback on the tenure and diversity of Directors. In response, we have two new Director nominees; Ms. Jakki Haussler and Ms. Sara Martinez Tucker. After 56 years of meaningful contributions, in order to recruit the next generation of leaders for our Board, Mr. R.L. Waltrip has decided not to

6 [www.sciannualmeeting.com](http://www.sciannualmeeting.com)

---



MESSAGE FROM OUR BOARD OF DIRECTORS

seek another term as an elected member of our Board of Directors. As Mr. Waltrip is an icon and pioneer in our industry he will continue to serve in his capacity as Founder and Chairman Emeritus for the Company. Citing the same reasons as Mr. Waltrip, and after over 35 years of service, Mr. John W. Mecom, Jr. has also informed the Board of his intention not to seek reelection once his term ends in May 2019. Therefore, the Board will temporarily increase its size to twelve members for

one year.

Service Corporation International believes in a strong corporate culture that invests in diversity and inclusion, creating one of the greatest competitive advantages a company can maintain. In no area of business is corporate leadership more essential to generating progress than in guiding our Company through the culture shift of embracing diversity and inspiring inclusiveness. We are creating a Board that is a direct reflection of our Company's values.

Lead Independent Director - Tony Coelho

Key Duties and Responsibilities of Lead Independent Director:

Preside over independent executive sessions held on a regular basis

Serve as liaison to the Chairperson

Engage in performance evaluation of directors and CEO

Interview Director candidates

Communicate with shareholders

Consult with committee chairpersons

Authorized to call a special meeting of the Directors\*

\*Enhanced Lead Director responsibilities effective in 2018.

Communicating Your Viewpoints with the Board

We value dialogue with our shareholders. We believe our ongoing shareholder outreach efforts have allowed us to better understand the viewpoints of our shareholders as well as providing an opportunity to communicate with transparency about what the Board is doing and why our decisions are aligned with business goals.

Shareholders and other interested parties may communicate with any of the independent Directors, including Committee

Chairs and the Lead Independent Director, by using the following address:

Service Corporation International

Lead Independent Director c/o Office of Corporate Secretary

1929 Allen Parkway

Houston, TX 77019

Email: leaddirector@sci-us.com

Thank you for the trust you place in us and for your continued investment in Service Corporation International.

Sincerely,

Edgar Filing: SERVICE CORP INTERNATIONAL - Form DEF 14A

Anthony L. Coelho  
Lead Independent Director

Thomas L. Ryan  
Chairman and CEO

Alan R. Buckwalter, III

Victor L. Lund

John W. Mecom, Jr.

Clifton H. Morris, Jr.

Ellen Ochoa

Robert L. Waltrip

W. Blair Waltrip

Marcus A. Watts

Edward E. Williams

7 [www.sciannualmeeting.com](http://www.sciannualmeeting.com)

---

## PROXY STATEMENT SUMMARY

### PROXY STATEMENT SUMMARY

This summary highlights information contained in this Proxy Statement. This summary does not contain all of the information you should consider. Please read the entire Proxy Statement carefully before voting.

#### Corporate Governance Highlights and Changes

The Nominating and Corporate Governance Committee has presented two new nominees for the Board of Directors. The Committee has considered the background and experience of Ms. Sara Martinez Tucker and Ms. Jakki Haussler. We believe each individually will bring valuable experience and diverse skills to our Board.

After 56 years of meaningful contributions, in order to recruit the next generation of leaders for our Board, Mr. R.L. Waltrip has decided not to seek another term as an elected member of our Board of Directors. As Mr. Waltrip is an icon and pioneer in our industry he will continue to serve in his capacity as Founder and Chairman Emeritus for the Company. Citing the same reasons as Mr. Waltrip and after over 35 years of service, Mr. John W. Mecom, Jr. has also informed the Board of his intention not to seek reelection once his term ends in May 2019.

If Proposal 4 is approved by shareholders then directors will be elected to a one-year term of office starting at the 2019 Annual Meeting of Shareholders, except Ms.

Haussler who has a one year term and is nominated to join the class of directors whose term expires in 2019.

Currently, the Board is divided into three classes, with directors elected to staggered three-year terms. This proposal is in response to shareholder feedback.

The Board made changes to the Company's Bylaws to permit the Lead Director to call a special meeting of the Board and preside over Board meetings in the absence of the Board Chair.

The Board made changes to the Company's Bylaws to permit the Chair of the Nominating and Corporate Governance Committee of the Board to preside over the Board meetings in the absence of the Board Chair, Lead Director and the Chief Executive Officer.

The Board, in response to shareholder feedback, approved changes to the performance unit plan to add a return on equity modifier to the total shareholder return metric and changed the award denomination to share units rather than cash, which will be effective beginning January 1, 2018.

#### Shareholder and Proxy Advisor Outreach

We regularly communicate with a large portion of shareholders throughout the year and solicit feedback on key business and corporate governance topics. Additionally, beginning in 2015, we began a process of formal outreach to our top shareholders prior to our annual meeting to address our corporate governance practices, including executive compensation programs. The results of these conversations are discussed with both the SCI Board and our management. The Board then decides whether any action should be taken.

As part of our normal procedures, we also proactively engage with proxy advisors who represent the interests of certain of our shareholders. We continue to have an open dialogue with Glass Lewis and ISS and use their constructive feedback to continuously enhance our disclosures.

In April and May of 2017, we engaged with shareholders representing approximately 44% of the Company's common stock prior to our 2017 Annual Shareholder Meeting. We specifically discussed executive compensation programs and as a result of feedback received, we added a return on equity modifier to the performance unit plan beginning in 2018. We also changed the denomination of the award to share units rather than cash units.

We also discussed the shareholder proposal brought forth in the 2017 Proxy Statement to require an independent Board Chair. The strong majority favored our leadership structure of having Tom Ryan, current CEO, as Chairman

given the appointment of an effective Independent Lead Director and given the success of the Company. The minority that expressed concern of this structure pointed to Board tenure and diversity issues. As part of its ongoing efforts to enhance the composition of the Board, our Chairman and the Nominating and Corporate Governance Committee spent a considerable time reviewing candidates to serve on our Board of Directors. We are presenting two new nominees in this 2018 Proxy Statement. These two nominees, if elected, would significantly reduce the tenure and enhance the diversity of the Board.

#### Shareholder Proposal to Adopt Simple Majority

During the April and May 2017 conversations with top shareholders, we also discussed the shareholder proposal regarding the adoption of the simple majority voting. We received valuable feedback, which we used to prepare our planned response presented in this 2018 Proxy Statement. In early 2018, we then went back to our largest owners to discuss our response.

8 [www.sciannualmeeting.com](http://www.sciannualmeeting.com)

---

## PROXY STATEMENT SUMMARY

In January through March of 2018, we proactively engaged with our top holders to discuss our planned response to the 2017 shareholder proposal regarding the adoption of the simple majority voting requirement. As part of this process, we spoke to shareholders representing approximately 62% of the Company's outstanding common stock.

Of the shareholders contacted, all agreed with declassifying the Board of Directors and adopting a simple majority voting requirement in our Bylaws and Articles of Incorporation except for business combinations. For business combinations, we are proposing the reduction of a supermajority voting

requirement to at least two-thirds. Of the shareholders contacted in early 2018, the strong majority felt that this was in line with their expectations, while the minority felt business combinations should also be at a simple majority level. However, the minority who held this view agreed that moving from a supermajority voting requirement of 80% to two-thirds reflected a positive movement for the Company.

We also consulted with Amalgamated Bank, who submitted the shareholder proposal for the adoption of simple majority voting at the last annual meeting and discussed our opinion and proposed solutions. Amalgamated Bank had no objection to our proposal.

Key Highlights	Detail	Reference Page
Executive Compensation	We moved the return on equity metric from the short term compensation plan to a modifier in the long-term performance unit plan, which was previously solely based on total shareholder return.	33
	We eliminated the Umbrella Plan starting in 2018 due to certain changes in the Tax Act.	<u>34</u>
	We illustrated our alignment of pay and performance.	<u>32</u>
Board-Related	Board composition and refreshment remains a priority for us. We present two new nominees in this Proxy Statement. Ms. Sara Martinez Tucker and Ms. Jakki Haussler will bring diverse perspectives and experience to our Board of Directors. Mr. John W. Mecom, Jr. has communicated to the Company that he will not seek reelection for his seat next year. And lastly, in 2018, Mr. R.L. Waltrip decided not to seek another term as an elected member of our Board of Directors, but will still actively participate as Founder and Chairman Emeritus.	<u>6</u>
	We continue our annual Board and Committee evaluation process.	<u>20</u>
	Strong Lead Independent Director. We created the role in 2016 with enhanced authority to call special Board meetings and to preside over Board meetings in the absence of the Chairman.	<u>6, 18</u>
	Independent Audit, Compensation, and Nominating and Corporate Governance Committees	<u>21</u>
Shareholder Rights	We made changes to the Director's compensation.	<u>24</u>
	Shareholder questions and concerns are communicated to and considered by the Board. Shareholders are allowed to call special meetings.	<u>9, 20</u>
	We conduct an annual "Say-on-Pay" vote	<u>31</u>

Accounting  
White Paper

In response to shareholders' questions regarding the complexities of the Company's accounting for preneed sales, management published a white paper on its website in the fall of 2015, which has now been updated for the recent revenue recognition accounting standard change.

You can view the white paper at <http://Investors.sci-corp.com> under Featured Documents

Communication with Directors

We value dialogue with our shareholders and believe our ongoing outreach efforts, which are in addition to other communication channels available to our stockholders and interested parties, help us to continue to evolve our corporate governance practices in a way that reflects the insights and perspectives of our many stakeholders. Shareholders and other interested parties may communicate with any of the independent Directors, including Committee

Chairs and the Lead Independent Director, by using the following address: Service Corporation International, Lead Independent Director c/o Office of Corporate Secretary, 1929 Allen Parkway, Houston, TX 77019 or by email to [leaddirector@sci-us.com](mailto:leaddirector@sci-us.com).

9 [www.sciannualmeeting.com](http://www.sciannualmeeting.com)

---

PROXY STATEMENT SUMMARY

Board Snapshot

Experience

With extensive experience in leadership positions and a proven record of success, our Board is qualified to oversee the Company's strategy and management. The Nominating and Corporate Governance Committee continually reviews and recommends enhancements to the Board's leadership structure as evidenced by the nominations of Jakki Hausler and Sara Martinez Tucker this year and Ellen Ochoa in 2015.

Director Age

The average age of our Board is 70. Including our two proposed nominees, the average decreases to 67. We believe the average age of our Directors gives our Board understanding and insight into the unique perspective of SCI's consumer base. SCI's average age of preneed cemetery consumers is the early sixties. The average age of preneed funeral consumers is the early seventies.

Skills

Each Director brings a particular range of skills and expertise to the deliberations of the SCI Board, which facilitates constructive and challenging debate around the boardroom table (see page 13 for overview).

Meeting Attendance

During 2017, our Board had a 97% meeting attendance record. We also had two executive meetings to address specific items related to a litigation settlement and an acquisition. Please see page 20 for more information about our Board meetings and Director attendance.

Commitment

The calendar of Board and Committee meetings is established to support the Board's focus on strategic and long-term matters, while ensuring the discharge of its monitoring and oversight role effectively through high quality discussions and briefings.

Personal Qualities

Our Directors bring innate personal qualities to the SCI boardroom that enable our Board to function effectively. Personal qualities exhibited in the boardroom include self-awareness, respect, integrity, independence, and the capacity to function effectively in challenging situations.

10 [www.sciannualmeeting.com](http://www.sciannualmeeting.com)

PROXY STATEMENT SUMMARY

Director Nominees

Name	Independent	Age	Director Since	Other Public Boards*	Board Committee Composition
Occupation					
Anthony L. Coelho, Lead Independent Director					A C E N& CG I