

**DSW Inc.**

**CORPORATE GOVERNANCE PRINCIPLES**

**Adopted by Resolution of the Board of Directors  
June 24, 2005**

**And amended on September 7, 2006,  
November 15, 2006, and  
March 13, 2008  
March 11, 2009**

The Board of Directors of DSW Inc. (“DSW”) has developed the following corporate governance guidelines to help it fulfill its responsibilities to its shareholders to oversee the work of management and the business of DSW and its subsidiaries (collectively, the “Company”). These guidelines are intended to establish policies and procedures which will enhance the ability of the Board to provide strategic direction to management, to review and evaluate the Company’s business operations and the performance of management, to ensure that processes are in place for maintaining the integrity of the Company, and, as needed, to make decisions that are independent of and instructive to the Company’s management. In short, these guidelines are intended to assure that the interests of directors and management are aligned with those of our shareholders.

These guidelines were developed and recommended to the Board by its Nominating and Corporate Governance Committee. They may be refined, expanded or revised in the future as the Board, on the advice of its Nominating and Corporate Governance Committee, deems necessary or advisable to ensure that the Company achieves the objectives outlined herein.

**GUIDING PRINCIPLES OF CORPORATE GOVERNANCE**

We adopt the following guiding principles of corporate governance for the Company:

***First***, the paramount duties of the Board of Directors are to select and oversee competent and ethical management to run the Company on a day-to-day basis and, with the assistance of management and other advisers, to approve and monitor the Company’s basic business and financial strategies.

***Second***, it is the responsibility of management to operate the Company in a competent and ethical manner. Senior management is expected to know and to keep the Board of Directors fully informed on, how the Company earns its income and what risks the Company is undertaking in the course of carrying out its business. Management should never put personal interests ahead of or in conflict with the interests of the Company.

***Third***, it is the responsibility of management, particularly the chief executive officer and the chief financial officer, to produce periodic public reports, including financial statements and financial information, that fairly present the

financial condition and results of operations of the Company, to make sufficient and timely disclosures to investors to permit them to assess the financial and business condition of the Company, and to establish, maintain and monitor effective disclosure and internal financial controls.

*Fourth*, it is the responsibility of the Board of Directors and its Audit Committee to oversee the integrity of the Company's financial statements and other financial information and earnings guidance issued by the Company, the Company's compliance with legal and regulatory requirements, and the performance of the Company's internal audit function and independent auditors. The Board's Audit Committee shall have the sole authority to hire and fire the Company's independent auditors and to approve any significant non-audit services with the independent auditors. The Audit Committee has the authority and responsibility to review and approve all of the Company's related party transactions.

*Fifth*, it is the responsibility of each and every officer, director and associate of the Company to endeavor to conduct the Company's business with honesty and integrity, to comply with applicable laws and regulations and to abide by Company policies, including the Director Code of Conduct, Code of Conduct and the Code of Ethics for Senior Financial Officers.

## **OUR CORPORATE GOVERNANCE PRINCIPLES**

### **I. Director Qualifications and Board Composition**

The Board of Directors, which is elected by the shareholders, is the ultimate decision-making body of the Company, except for those matters reserved to the shareholders. It selects the senior management team, which is charged with the conduct of the Company's businesses. With the assistance of the senior management team and other advisors, the Board reviews, approves and monitors fundamental business and financial strategies and ultimately evaluates the performance of senior management.

*Election and Selection of Directors.* Pursuant to the Company's Amended and Restated Code of Regulations, when the authorized number of directors is more than nine the directors will be divided into three classes, designated as Class I, Class II and Class III. The members of each class will serve for a staggered, three-year term. Each director will be elected to serve until the election of the director's successor at an annual meeting of shareholders for the election of directors for the year in which the director's term expires or at a special meeting called for that purpose. Each year at the Company's annual meeting, the Board of Directors recommends a slate of candidates for election as directors by shareholders. The Board's recommendations consist of individuals nominated by its Nominating and Corporate Governance Committee, based on the committee's determination of the suitability of each individual, and the slate as a whole, to serve as directors of the Company, including the independence, character, diversity, age, skills, and experience of such individuals in the context of the needs of the Board.

All incumbent directors and director nominees are encouraged to attend each Annual Meeting of Shareholders of DSW.

***Director Orientation and Continuing Education.*** Directors elected after adoption of these principles must, either prior to election or within three months after taking office, participate in the Company's orientation program, which will include presentations by senior management to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its compliance programs, its Code of Conduct, Code of Ethics for Senior Financial Officers and other policies, its principal officers, and its internal and independent auditors.

It is expected that management shall from time to time make presentations to or arrange education programs for the Board on different aspects of the Company's business, which may include business strategy, risk management, financial reporting, products and services, industry trends and developments, corporate governance and other relevant and appropriate topics. Directors are also encouraged to take advantage of any other available educational opportunities that would further their understanding of the Company's business and enhance their performance on the Board.

***Board Size.*** The number of directors is currently fixed at ten (10) by action of the Board pursuant to the Company's Code of Regulations. The Board presently has ten members. It is the Board's belief that the size of the Board should be fixed at a number which allows the Board to function efficiently. The Board shall periodically assess the size of the Board to ensure that it is neither too small to maintain the requisite expertise nor too large to be functional.

***Independence.*** It is the policy of the Board that at least a majority of its directors should be persons who have been affirmatively determined by the Board to be independent, as defined from time to time in applicable New York Stock Exchange ("NYSE") listing standards and any other applicable laws, rules and regulations. The Board shall monitor its compliance with such NYSE requirements and all other applicable laws, rules and regulations relating to the independence of directors on an on-going basis. Each independent director shall notify the Chair of the Nominating and Corporate Governance Committee, as soon as practicable, in the event his circumstances changes in a manner that may affect the Board's evaluation of his or her independence.

***Chairman of the Board and Chief Executive Officer.*** The Company has no policy with respect to the separation of the offices of Chairman and Chief Executive Officer. The Board believes that this issue is part of the succession planning process and that it is in the best interest of the Company for the Board to make a determination in this regard whenever it elects a new chief executive officer.

***Board Committees.*** It is the general policy of the Company that all major decisions be considered by the Board of Directors as a whole. As a consequence, the committee structure of the Board is limited to those committees considered to be basic to or required for the operation of the Company. Currently these committees are the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee. Each of these committees shall have a written governing charter which outlines the functions, responsibilities and goals of the

committees, as well as the qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. Each committee charter shall also provide for an annual self evaluation of the committee's performance. The Board may, however, at its discretion, establish or maintain additional committees as it deems appropriate or necessary from time to time.

The members and chairs of Board committees are elected by the Board, upon the recommendation of the Nominating and Corporate Governance Committee in consultation with the Chairman and CEO. The Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee are to be comprised of only independent directors. If the Company qualifies as a "controlled company" of which more than 50% of the voting power is held by an individual, group or another company, the NYSE listing standards permit the Company to determine, from time to time, that its Board of Directors and the Board's Compensation Committee and Nominating and Corporate Governance Committee may have a majority of members who are not independent. If the Company chooses to take advantage of this exemption from the NYSE standards, the Company will disclose in its annual meeting proxy statement that it is a controlled company and the basis for that determination. Regardless, members of the Audit Committee shall at all times meet the independence, experience, and other requirements of the NYSE, Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission. The membership of Board committees may be rotated from time to time.

The chair of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The chair of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. To the degree it can be predetermined, at the beginning of the year, each committee shall establish a schedule of agenda subjects to be discussed throughout the year. This schedule will be furnished to each committee member.

The Board and each committee have the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the advanced approval of any officer of the Company and the Company shall be responsible for paying the fees and other costs associated with any such services rendered to the Board or any committee thereof.

***Term/Age Limits.*** The Board does not believe it should establish arbitrary term or age limits on directors' services. While term and age limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole. As part of its responsibilities, the Nominating and Corporate Governance Committee shall evaluate each incumbent director's qualifications, performance and ability to continue to contribute productively before recommending the nomination of that director for an additional term.

***Limitation on Board Service.*** The Board does not believe that its members should be prohibited from serving on boards and/or committees of other organizations, and the Board has not adopted any guidelines limiting such activities. However, the Nominating and Corporate Governance Committee and the full Board will take into account the nature of and time involved in a director's service on other boards in evaluating the suitability of individual directors when making its recommendations to the Company's shareholders. Service on boards and/or committees of other organizations should not present a conflict of interest.

***Director Compensation.*** The Compensation Committee should annually report to the Board how the Company's director compensation practices compare with those of other similar public corporations. The Board should make changes in its director compensation practices only upon the recommendation of the Compensation Committee. Compensation as a director and Board committee member must be the sole remuneration from the Company for independent directors; further, independent directors cannot be an affiliated person of the Company.

***Stock Ownership.*** The Board believes that directors should acquire and hold shares of Company stock in an amount that is meaningful and appropriate. Directors may elect to defer some or all of any cash component of compensation to be paid in Company shares (through the grant of stock units). To encourage directors to have a direct and material investment in Company shares, directors are encouraged to hold shares of the Company's stock with a value of at least three times a director's annual cash retainer, to be achieved within three years of joining the Board. For purposes of determining the amount of shares owned by a director, stock units shall count as share ownership.

***Directors Who Change Their Present Job Responsibility.*** Any Director who retires or changes employment or other position, from those held when first elected to the Board shall submit an offer letter of resignation for consideration by the Nominating and Corporate Governance Committee and the full Board. The Nominating and Corporate Governance Committee will consider the Director's offer of resignation and will recommend to the full Board the action to be taken. Directors who are also employees of the Company are expected to offer their resignation from the Board at the same time they leave active employment with the Company, which shall be subject to acceptance by the Board.

## **II. Board Responsibilities and Operation**

***Basic Responsibility.*** In accordance with the Code of Regulations and Ohio law, the business and affairs of the Company are managed by, and under the direction of, the Board which serves as the ultimate decision-making body of the Company, except for those matters reserved to (or shared with) the Company's shareholders. The basic responsibility of each director is to exercise, in good faith and with appropriate care, his or her business judgment in a manner the director reasonably believes to be in, or not opposed to, the best interests of the Company. In discharging that obligation, directors shall always consider the interests of the Company's shareholders and may consider the interests of other stakeholders, such as the Company's associates, suppliers, customers and creditors, the economy and community and societal factors. A director is entitled to rely on information and opinions prepared or presented by other directors, management or associates of the Company who the director believes are

reliable and competent, as well as outside advisors and auditors within their professional or expert competence. Each director is expected to attend Board and Board committee meetings on which he or she serves and to spend such time as may be needed to discharge properly the duties of a director.

***Board Meetings.*** The Chairman of the Board and Chief Executive Officer set the agenda for Board meetings with the understanding that certain items pertinent to the advisory and monitoring functions of the Board be brought to it periodically by the Chairman or CEO for review and/or decision. For example, the annual corporate budget is reviewed by the Board. Additionally, the Board will review the Company's long-term strategic plans and the principal issues that the Company will face in the future during at least one Board meeting each year. Agenda items that fall within the scope of responsibilities of a Board committee are set by the chair of that committee. Any member of the Board may request that an item be included on the agenda and is free to raise at any Board or committee meeting subjects that are not on the agenda for that meeting.

***Information and Materials.*** Information and data that is important to the Board's understanding of the Company's businesses will be distributed in writing to the Board before the Board meets to allow the Directors an opportunity to prepare for discussion of the items at the meeting. Except in the case of special or emergency meetings of the Board or a committee thereof, the Directors shall receive materials relevant to their next Board or committee meeting at least three days in advance of the meeting.

The Board regularly receives reports and information from senior executives who are not directors at each Board meeting. Generally, presentations of matters to be considered by the Board are made by the manager responsible for that area of the Company's operations. In addition, Board members have free access to all other members of management and employees of the Company.

***Executive Sessions.*** The non-management directors shall meet in regularly scheduled executive sessions without management present. Topics to be discussed include, but are not limited to, review of the Company's business and finances, review of the report and other communications of the outside auditors, review of processes intended to maintain the integrity of the Company's business and finances, evaluation of the performance of senior management and the compensation of senior management. The non-management directors may, but are not required, to elect a single director to preside at their executive sessions. The Company will disclose in its annual proxy statement the name of the director selected to preside at all executive sessions or alternately the procedure for selecting a presiding director for each executive session. The Company shall also disclose a method by which interested parties may communicate directly with the presiding director, if any, or with the non-management directors as a group.

***Annual Review.*** At least annually, the Company's Compensation Committee will conduct an annual review of the Chief Executive Officer's performance, in the manner set forth in its charter. The entire Board will review the Compensation Committee's report in order to ensure that the Chief Executive Officer is providing the best leadership for the Company in the long- and short-term.

***Succession Planning.*** The Company's Compensation Committee shall make an annual report to the Board on succession planning. The entire Board will work with the Nominating and Corporate Governance Committee and Compensation Committee to nominate and evaluate potential successors to the Chief Executive Officer. The Chief Executive Officer should also, at all times, make available his or her recommendations and evaluations of potential successors, including a plan for the timely and efficient transfer of his or her responsibilities in the event of his or her sudden incapacitation or departure, along with a review of any development plans recommended for such individuals.

***Annual Board Evaluation.*** The entire Board of Directors shall conduct an annual self-evaluation to determine whether the Board and its committees are functioning effectively. The Nominating and Corporate Governance Committee will receive comments from all directors and report annually to the Board with an assessment of the Board's performance. This will be discussed with the full Board following the end of each fiscal year. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve. To the extent improvements are warranted, the Nominating and Corporate Governance Committee shall establish a plan to ensure that the improvements are made in a timely and meaningful manner.