

## SHOE CARNIVAL, INC.

### CODE OF BUSINESS CONDUCT AND ETHICS

#### Introduction

This Code of Business Conduct and Ethics (the "Code") covers a wide range of business practices and procedures. It does not cover every issue that may arise, but sets out basic principles to guide all employees, officers and directors of the Company. All of our employees, officers and directors must conduct themselves accordingly and seek to avoid even the appearance of improper behavior. The Code should also be provided to and followed by the Company's agents and representatives, including consultants.

If a law conflicts with a policy in this Code, you must comply with the law. However, if a local custom or policy conflicts with this Code, you must comply with the Code. If you have any questions about these conflicts you should ask your Department Vice President in the case of employees, the Chief Financial Officer in the case of officers, and the Audit Committee in the case of executive officers and directors, how to handle the situation.

Those who violate the standards in this Code will be subject to appropriate disciplinary action up to and including termination of employment or service. *If you are in a situation which you believe may violate or lead to a violation of this Code, follow the guidelines described in Section 15 of this Code.*

#### 1. *Compliance with Laws, Rules and Regulations*

Obeying the law, both in letter and in spirit is the foundation on which this Company's ethical standards are built. All employees, officers and directors must respect and obey the laws of the cities, states and countries in which the Company conducts business. To that effect, all employees, officers and directors must take an active role in being knowledgeable of and ensuring compliance with all applicable laws and regulations, and must immediately report violations or suspected violations to their Department Vice President in the case of employees, the Chief Financial Officer in the case of officers, or the Audit Committee in the case of executive officers and directors.

During any government inspection or investigation, you should never destroy or alter any Company documents, lie or make misleading statements to the government investigator, attempt to cause another employee to fail to provide accurate information and/or obstruct, mislead or delay the communication of information and records.

#### 2. *Conflicts of Interest*

Conflicts of interest are strictly prohibited under this Code, unless approved by your Department Vice President in the case of employees, the Chief Financial Officer in the case of officers, or the

Audit Committee in the case of executive officers or directors. A "conflict of interest" exists when a person's private interest interferes – or even appears to interfere – in any way with the interests of the Company. The existence of a conflict depends upon the circumstances, including the nature and relative importance of the interest involved. A conflict of interest situation can arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her Company work objectively and effectively. Conflicts of interest may also arise when an employee, officer or director, or members of his or her family<sup>1</sup>, receives improper personal benefits as a result of his or her position with the Company.

Although it is not practical to list every activity or interest that might present conflict of interest, the following are examples of specific situations in which conflicts of interest could arise, and sets forth the Company's policy with respect to such conflicts of interest.

#### Interests in Other Companies

Directors, officers or other employees, or members of their families, shall not acquire, own or have a significant financial interest<sup>2</sup> in any business organization that does or seeks to do business with the Company or is a competitor of the Company, unless (a) such interest has been fully disclosed to the Audit Committee of the Company's Board of Directors (in the case of directors or executive officers), to the Chief Financial Officer in the case of officers, or to the employee's Department Vice President (in the case of other employees) and (b) the Audit Committee, the Chief Financial Officer or the employee's Department Vice President, as appropriate, determined that the director's, executive officer's, officer's or employee's duties for the Company will not require him or her to make or cause to be made decisions that could be influenced by such interest, or that the interest is otherwise permissible.

#### Employment by Other Companies

Directors, officers or employees shall not serve or accept an offer to serve as a director, partner, consultant of, or in a managerial position or any other form of employment or affiliation with, any business organization that does significant business with or is a competitor of the Company, unless (a) such position, employment or affiliation has been fully disclosed to the Audit Committee (in the case of directors or executive officers), to the Chief Financial Officer (in the case of officers), or to the employee's Department Vice President (in the case of other employees) and (b) the Audit Committee, the Chief Financial Officer or the employee's Department Vice President, as appropriate, determined that such position, employment or affiliation is permissible.

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<sup>1</sup> Family members include spouse, children, stepchildren, parents, stepparents, brothers, sisters, in-laws, spouse's in-laws, and any person living in the same household as the director, officer or employee.

<sup>2</sup> As a minimum standard, a significant financial interest is an aggregate interest of a director, officer or employee and family members of more than (a) 5% of any class of the outstanding securities of a company, (b) 5% interest in a partnership or association, or (c) 5% of the total direct and beneficial assets or income of such director, officer or employee. A significant financial interest generally will not include an investment representing less than 1% of a class of outstanding securities of a publicly held company.

### Conducting Business with Related Companies

Directors, officers or employees shall not conduct business on behalf of the Company with a member of his or her family, or a business organization with which he or she or a family member has an interest or employment relationship that calls for disclosure under the Code standards described above or that otherwise could be considered significant in terms of potential conflict of interest, unless (a) such business dealings have been disclosed to the Audit committee (in the case of the directors or executive officers), the Chief Financial Officer (in the case of officers) or to the employee's Department Vice President (in the case of other employees) and (b) the Audit Committee, the Chief Financial Officer or the employee's Department Vice President, as appropriate, determined that such transaction is permissible.

### Unrelated Outside Employment

Should an officer or employee be engaged in outside employment not related to his or her regularly assigned work and not covered by the Code standards described above, such outside employment must not detract from the officer's or employee's job performance or otherwise be detrimental to the best interests of the Company. Unless an officer or employee has questions concerning the application of this policy to his or her particular situation, no notice to the Company is required.

### Reporting to an Immediate Family Member

The potential for conflict of interest exists if your spouse, partner or immediate family member also works at the Company and is in a direct reporting relationship with you. Employees should not directly supervise, report to, or be in a position to influence the hiring, work assignments or evaluations of someone with whom they have a romantic or familial relationship.

### Soliciting Suppliers and Customers

The Company desires that its suppliers and vendors understand that their business relationship with the Company is based totally on their ability to competitively meet the Company's business needs. Therefore, solicitations of cash, merchandise or services from suppliers, customers or contractors are not allowed, except when made in furtherance of the Company's business or fulfilling the Company's philanthropic responsibilities. Employees should consult their Department Vice President before engaging in such solicitations.

### Fees and Honorariums

With prior approval, you may give lectures, conduct seminars, publish articles in books or engage in any other similar activity for which you may be paid a fee or honorarium. However, any fees, honorariums or reimbursements must be transferred to the Company unless written approval is given to retain them.

### Bribes and Kickbacks

You may not offer, give, solicit or receive bribes or kickbacks. Under some statutes, such as the *Foreign Corrupt Practices Act*, these are criminal actions that can lead to prosecution.

### Gifts, Favors, Entertainment and Payments

#### *Received by Company Directors, Officers or Employees.*

You may not seek or accept any payments, fees, services, special privileges, vacations, loans (other than conventional loans on customary terms from lending institutions) or other unusual favors from any person or business organization that does or seeks to do business with, or is a competitor of, the Company. Gifts of more than a minimal value may not be accepted without the prior approval of your Department Vice President, in the case of employees, the Chief Financial Officer, in the case of officers or the Audit Committee, in the case of executive officers or directors. The offering of such gifts by a supplier must be reported to your Department Vice President, in the case of employees, the Chief Financial Officer, in the case of officers, or the Audit Committee, in the case of executive officers or directors. No one may accept anything of value in exchange for referral of third parties to any such person or business organization. In applying this policy:

- (a) You may accept common courtesies or ordinary social amenities generally associated with accepted business practices for yourself and members of your families.
- (b) It is never permissible to accept cash or cash equivalents (savings bonds, stock, etc.) of any amount. In addition, entertainment beyond that described by (a) above should not be accepted under any circumstances.

#### *Paid or Made by Company Directors, Officers or Employees.*

You should be aware that it is a violation of law to confer benefits on an employee of another company if it is made without such person's employer's consent or knowledge and with the intent to influence such person's conduct in relation to the affairs of the employer. The making of seasonal gifts at holiday time is generally not considered to be a violation of this policy. However, at no time may cash or cash equivalents (savings bonds, stock, etc.) be issued as gifts.

You may dispense common courtesies or ordinary social amenities generally associated with accepted business practices if they meet all the following criteria:

- (a) There is a specific business purpose;
- (b) They are of limited value, and in a form that will not be construed as a bribe or pay-off;

- (c) They are not in contravention of applicable law (see above) and generally accepted ethical standards; and
- (d) Public disclosure of the facts will not embarrass the Company or the director, officer or employee.

Secret commissions or other secret compensation or payments are never permissible and may be a criminal offense.

(See Section 12, Payments to Government Personnel, for a description of the Company's policy on gifts and other payments to governmental employees.)

### Political Contributions

Directors, officers and employees shall not use Company funds for contributions of any kind to any political party or committee or to any candidate for, or holder of, any office of any government – national, state or local. This policy is not intended to restrict in any manner the use of personal funds for political contributions. However, no such personal use of funds will be reimbursed by the Company under any circumstances.

Again, conflicts of interest are prohibited as a matter of Company policy except where approved by your Department Vice President, the Chief Financial Officer or the Audit Committee, as appropriate. Conflicts of interest may not always be clear-cut, so if you have a question, you should consult with the Company's Chief Financial Officer. Any employee, officer or director who becomes aware of a conflict or potential conflict should bring it to the attention of the Company's Chief Financial Officer or consult the procedures described in Section 15 of this Code.

### **3. *Insider Trading***

Employees, officers or directors who have access to non-public material information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of our business. The term "trade" includes all securities transactions in the open market, and includes transactions in Company plans. All non-public information about the Company should be considered confidential information. To use non-public information for personal financial benefit or to "tip" others who might make an investment decision on the basis of this information is not only unethical but also a violation of federal securities laws and can result in civil and criminal penalties. Non-public, material information includes, but is not limited to: significant new product/service developments, sales and earnings reports or projections, major contracts with customers or suppliers, plans for stock splits or buy backs and potential acquisitions or mergers. Such non-public material information in the case of another company would also include knowledge that the other company may enter into or is negotiating for a contract important to it for the sale of property, goods or services to or by the Company. In these instances where you have such information, you must refrain from buying or selling or encouraging others to buy or sell the Company's securities or securities of another company, as the case may be, until the information has been disclosed to the general public. If you have any

questions about the appropriateness of purchasing or selling a security under these circumstances you should contact the company's Chief Financial Officer.

Directors and officers of the Company are reminded that they are subject to additional obligations and to certain reporting requirements under federal securities laws, which are beyond the scope and are not discussed in, this Code.

#### **4. *Corporate Opportunities***

Employees, officers and directors are prohibited from taking for themselves personally opportunities that are discovered through the use of Company property, information or positions without the consent of the Board of Directors. No employee, officer or director may use Company property, information, or position for improper personal gain, and no employee, officer or director may compete with the Company directly or indirectly. (See Section 2, Conflicts of Interest.) Employees, officers and directors owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

#### **5. *Competition and Fair Dealing***

We seek to outperform our competition fairly and honestly. We seek competitive advantages through superior performance, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited. You should endeavor to respect the rights of and deal fairly with the Company's customers, suppliers, competitors and employees. You should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practice.

#### **6. *Full, Fair, Accurate, Timely and Understandable Disclosure***

It is the Company's policy to provide full, fair, accurate, timely and understandable disclosures in all reports and documents that the Company files with or submits to the Securities and Exchange Commission, as well as in all other public communications made by the Company. In furtherance of this policy, the executive officers of the Company shall design, implement, and amend as necessary, disclosure controls and procedures and internal controls for financial reporting (collectively "Controls and Procedures"). All executive officers, directors and employees shall comply with the Controls and Procedures to promote full, fair, accurate, timely, and understandable disclosures by the Company.

#### **7. *Discrimination and Harassment***

The diversity of the Company's work force and management is a tremendous asset. We are firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment of any kind. Examples include derogatory comments based on racial or ethnic characteristics and unwelcome sexual advances.

## **8. *Health and Safety***

The Company strives to provide a safe and healthful work environment. Everyone has a responsibility for maintaining a safe and healthy workplace by following safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions.

Violence and threatening behavior are not permitted. Employees should report to work in condition to perform their duties, free from the influence of illegal drugs or alcohol. The use of illegal drugs in the workplace will not be tolerated.

## **9. *Record-Keeping***

The Company requires honest and accurate recording and reporting of information in order to make responsible business decisions. For example, only the true and actual number of hours worked should be reported.

Many officers and employees regularly use business expense accounts, which must be documented and recorded accurately. If you are not sure whether a certain expense is legitimate, ask your Department Vice President, the Chief Financial Officer or a member of the Audit Committee. Rules and guidelines are available from the Accounting Department.

All of the Company's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the Company's transactions and must conform both to applicable legal requirements and to the Company's system of internal controls. Unrecorded or "off the books" funds or assets should not be maintained unless permitted by applicable law or regulation.

Business records and communications often become public, and you should avoid exaggeration, derogatory remarks, guesswork, or inappropriate characterizations of people and companies that could be misunderstood. This applies equally to e-mail, internal memos, and formal reports. Records should always be retained or destroyed according to the Company's record retention policies. In accordance with those policies, in the event of litigation or governmental investigation please consult the Company's Chief Financial Officer.

## **10. *Confidentiality***

Employees, officers and directors must maintain the confidentiality of confidential information entrusted to them by the Company or its customers, except when disclosure is authorized by the Company's Chief Financial Officer or legally mandated by laws or regulations. Confidential information includes all non-public information, that might be of use to competitors, or harmful to the Company or its customers, if disclosed.

Employees, officers and directors who have access to confidential information are obligated to safeguard it from unauthorized access and:

- Not disclose this information to persons outside the Company. (Exercise caution when discussing company business in public places where conversations can be overheard. Recognize the potential for eavesdropping on cellular phones.)
- Not use this information for personal benefit or the benefit of persons outside the Company.
- Not share this information with other employees except on a legitimate "need to know" basis.

Any Company information created in the course of your employment or service belongs to the Company. The obligation to preserve confidential information continues even after your employment or service ends. Upon retirement or termination of employment or service, all written and tangible proprietary, confidential information must be returned to the Company prior to or on your last day of employment or service.

## **11. *Protection and Proper Use of Company Assets***

All employees, officers and directors should endeavor to protect the Company's assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on the Company's profitability. Any suspected incident of fraud or theft should be immediately reported for investigation. Company assets should not be used for non-Company business, though incidental personal use may be permitted.

### Use of email, voice mail and Internet services

E-mail systems and Internet services are provided to help you do your work. Incidental and occasional personal use is permitted, but never for personal gain or any improper purpose. Do not access, send, or download any message that could be viewed as harassment. Also, remember that "flooding" Company computer systems with junk mail and trivia hampers the ability of the Company's systems to handle legitimate Company business.

Your messages (including voice mail) and computer information are considered Company property and you should not have any expectation of privacy. Unless prohibited by law, the Company reserves the right to access and disclose this information as necessary for business purposes. Use good judgment, and do not access, send a message, or store any information that you would not want to be seen or heard by other individuals. Violation of these policies may result in disciplinary actions up to and including discharge from the Company.

### Proprietary Information

Your obligation to protect the Company's assets includes its proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business, marketing and service plans, engineering and manufacturing ideas, designs, databases, records, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information may destroy the information's value, harm the Company's competitive position, or constitute breaches of agreements. It could also be illegal and result in civil or criminal penalties.

The Company's guidelines regarding treatment of proprietary information are:

- Proprietary information should be discussed with Company employees only on a "need-to-know" basis.
- Unless someone with proper authority decides publicly to disclose proprietary information, disclosures to anyone outside the Company should occur only in conjunction with an executed confidential disclosure agreement.

Always remain alert to inadvertent disclosure of proprietary information, e.g., in social conversations or normal business relations with suppliers, customers and others.

While you must remain alert to the competitive environment and seek information with respect to the Company's markets and its competitors, you must do so only by means that are lawful and ethical. You must never participate in illegal acquisition of another's proprietary information. If you are approached with offers of such information, or with any information believed to have originated illegally, you must immediately refer the matter to the Company's Chief Financial Officer. (See Section 10, Confidentiality.)

### ***12. Payments to Government Personnel***

The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials of any country.

In addition, the U.S. government has a number of laws and regulations regarding business gratuities which may be accepted by U.S. government personnel. The promise, offer or delivery to an official or employee of the U.S. government of a gift, favor or other gratuity in violation of these rules would not only violate Company policy but could also be a criminal offense. State and local governments as well as foreign governments, may have similar rules. The Company's Chief Financial Officer can provide guidance to you in this area.

### ***13. Waivers of the Code of Business Conduct and Ethics***

Any waiver of this Code for executive officers or directors may be made only by the Audit Committee and will be promptly disclosed to the Company shareholders, as may be required by law or stock exchange regulation.

All other waivers of this Code should be made by the Company's Chief Financial Officer.

### ***14. Reporting any Illegal or Unethical Behavior***

All employees, officers and directors should report violations of laws, regulations, rules or this Code. If you are concerned that someone has violated or may violate any law or Code standard, you may report these concerns to your Department Vice President, the Company's Secretary, or other appropriate management representatives.

If you have any concerns regarding questionable accounting, auditing or disclosure practices of the Company, you may report these concerns directly to the Company's Audit Committee. You may submit those concerns in a confidential and anonymous manner by mailing them to the following address:

Audit Committee  
c/o Corporate Secretary  
7500 East Columbia Street  
Evansville, IN 47715

or call the Anonymous Hotline ((800) 326-0341).

Failure to make a report regarding a violation of this Code or law is a violation of these Code standards and may subject you to disciplinary action up to and including termination. You have a right, and at times a legal obligation, to call the Company's attention to situations in which the law or the Code standards have been breached.

Confidentiality is a priority and every effort will be made to protect it. Please note, however, that we may be required by law to reveal your identity or it may be impossible to keep your identity confidential (for example, if we are investigating harassment complaints which require interviews of all witnesses). If you are concerned about anonymity, place your call to the Anonymous Hotline ((800) 326-0341). You may also send an anonymous letter to the Company's Secretary.

You will receive a prompt response to any questions or reports. If we cannot answer your question immediately, we will make every effort to get back to you within five business days. If your call requires an investigation, we will do so promptly and take the appropriate corrective action. When possible, we will provide you with the status of our investigation and inform you of the outcome.

Retaliation by any officer, employee, director or agent of the Company against any individual who seeks advice, raises a concern or reports misconduct is strictly prohibited and will not be tolerated. The Company will take appropriate action against any individuals engaging in retaliatory conduct against an employee who has truthfully, and in good faith, reported a violation. Retaliatory actions include suspension or termination of employment, demotion, threats, harassment or any other form of discrimination. Appropriate action will also be taken against any individual who has intentionally made a false report. This "anti-retaliation" policy is not intended to protect a person who is involved in wrongdoing about which he or she is making a report.

If you suspect that you, or someone you know, has been retaliated against for making a report, you should contact your Department Vice President or the Company's Secretary immediately. You may also call the Anonymous Hotline at ((800) 326-0341) or write to the Company's Audit Committee at the address set forth above. Your complaint should be as detailed as possible, including the names of individuals involved, the names of any witnesses, and any documentary evidence.

All complaints of prohibited retaliation that are reported as described above will be investigated. The Company will promptly undertake and direct an effective, thorough and objective investigation of the retaliation allegations. The investigation will be completed and a determination regarding the alleged retaliation will be made and communicated to the employee who complains and to the person(s) accused of retaliation.

If the Company determines that an individual has suffered adverse action in retaliation for seeking advice, raising a concern or reporting misconduct or participation in a proceeding related to potential misconduct, it will take effective remedial action appropriate to the circumstances. The Company will also take action to deter any future retaliation. If a complaint of unlawful retaliation is substantiated, appropriate disciplinary action, up to and including discharge, will be taken. Whatever action is taken against the person responsible for the retaliation will be communicated to the employee who complained.

## ***15. Compliance Standards and Procedures***

### Interpretation

The Company's Chief Financial Officer is responsible for giving guidance on interpreting and applying the Code when questions arise. Any questions should be addressed in writing to the Company's Chief Financial Officer. In addition, the Company's Chief Financial Officer can be reached at 1-812-867-4037.

### Audits

Periodically, compliance with the Code will be monitored by the Human Resources Department. Everyone must cooperate fully with these reviews and provide truthful and accurate information. Results of all such reviews will be reported to appropriate Company management or the Audit Committee.

### Request for Exception

While some standards in the Code require strict application, others do allow exceptions. For example, minor conflicts of interest may be resolved by disclosing the conflict to all interested parties. Employees, officers and directors who believe they merit an exception should first contact their Department Vice President (in the case of employees), the Chief Financial Officer (in the case of officers) or an Audit Committee Member (in the case of executive officers and directors).

### Non-Exclusivity

While the Code standards are extensive, they are no means exhaustive. Nothing expressed or implied in the Code can represent all the policies and procedures the Company believes its employees, officers and directors should follow.

Remember, if you suspect that a violation of the law or the Code has taken place or may take place, keep the following guidelines in mind:

- ***Make sure you have all the facts.*** In order to reach the right solutions, we must be as fully informed as possible.
- ***Ask yourself: What specifically am I being asked to do? Does it seem unethical or improper?*** This will enable you to focus on the specific question you are faced with, and the alternatives you have. Use your judgment and common sense; if something seems unethical or improper, it probably is.
- ***Clarify your responsibility role.*** In most situations, there is shared responsibility. Are your colleagues informed? It may help to get others involved and discuss the problem.
- ***Discuss the problem with your Department Vice President, the Chief Financial Officer or an Audit Committee Member.*** This is the basic guidance for all situations. In many cases your Department Vice President, the Chief Financial Officer or an Audit Committee Member will be more knowledgeable about the question, and will appreciate being brought into the decision-making process.
- ***Seek help from Company resources.*** In the rare case where it may not be appropriate to discuss an issue with your Department Vice President, the Chief Financial Officer or an Audit Committee Member, or where you do not feel comfortable approaching your Department Vice President, the Chief Financial Officer or an Audit Committee Member with your question, discuss it with Human Resources. If you prefer to write, address your concerns to: the Company's Secretary or to the Audit Committee at the Company's headquarters.
- ***You may report ethical violations in confidence and without fear of retaliation.*** If your situation requires that your identity be kept secret, your anonymity will be protected. The Company does not permit retaliation of any kind against employees for good faith reports of ethical violations.

***Always ask first, act later: If you are unsure of what to do in any situation seek guidance before you act.***