

## SHOE CARNIVAL, INC.

### CORPORATE GOVERNANCE GUIDELINES

The following Corporate Governance Guidelines (the “Guidelines”) have been adopted by the Board of Directors (the “Board”) of Shoe Carnival, Inc. (the “Company”) to assist the Board in the exercise of its responsibilities. These Guidelines reflect the Board’s commitment to monitor the effectiveness of policy and decision-making both at the Board and management level, with a view to enhancing shareholder value over the long term. These Guidelines are in addition to, and are not intended to change or interpret, any Federal or state law or regulation, including the Indiana Business Corporation Law, or the Amended and Restated Articles of Incorporation or By-Laws of the Company. The Guidelines are subject to modification from time to time by the Board based upon recommendations from the Nominating and Corporate Governance Committee.

#### **Board Composition**

##### **1. Board Membership Criteria**

Nominees for director shall be selected on the basis of broad experience, judgment, integrity, ability to make independent inquiries, understanding of the Company’s business environment and willingness to devote adequate time to Board duties. The Nominating and Corporate Governance Committee shall identify possible nominees who meet specified objectives in terms of the composition of the Board, including taking into account such factors as geographic, occupational, gender, race/ethnicity and age diversity.

##### **2. Selection of New Director Candidates**

The Nominating and Corporate Governance Committee is responsible, when the need arises, for seeking individuals qualified to become Board members for recommendation to the Board. The entire Board shall nominate members for election to the Board and for filling vacancies on the Board. The Nominating and Corporate Governance Committee will consider candidates recommended by shareholders. A shareholder who wishes to recommend a director candidate for consideration by the Nominating and Corporate Governance Committee should send such recommendation to the Secretary of the Company, 1800 Innovation Point, 5th Floor, Fort Mill, South Carolina 29715, who will forward it to the Committee. Any such recommendation should include a description of the candidate’s qualifications for board service, the candidate’s written consent to be considered for nomination and to serve if nominated and elected, and addresses and telephone numbers for contacting the shareholder and the candidate for more information. A shareholder who wishes to nominate an individual as a director candidate at the annual meeting of shareholders, rather than recommend the individual to the

Nominating and Corporate Governance Committee as a nominee, must comply with the advance notice requirements set forth in the Company's By-Laws.

### **3. Extending the Invitation to a New Potential Director to Join the Board**

The invitation to join the Board should be extended by both the Chairman of the Board and the Chair of the Nominating and Corporate Governance Committee, on behalf of the entire Board of Directors.

### **4. Size of Board and Mix of Inside and Outside Directors**

In accordance with the Company's By-Laws, the Board fixes by resolution from time to time the number of directors constituting the Board. The Nominating and Corporate Governance Committee and the Board periodically review the appropriate size of the Board.

As required by the rules of the Nasdaq Stock Market, independent directors constitute a majority of the Board.

### **5. Independence Definition**

The Board of Directors shall affirmatively determine the independence of each non-employee director and consider all factors relevant in determining whether he or she has a relationship to the Company which is material to the director's ability to be independent from management in the performance of his or her duties. In determining which members of the Board of Directors are "independent," the Board shall use the definition contained in the corporate governance requirements of the Nasdaq Stock Market as in effect from time to time. In addition, a director will not qualify to serve on either the Company's Audit Committee or Compensation Committee if the director is not independent in accordance with applicable Nasdaq Stock Market requirements and rules of the Securities and Exchange Commission, including SEC Rules 10A-3(b)(1) and 10C-1(b)(1).

Each director should promptly report to the Board any change in the employment or other affiliations of the director and/or family members that could result in a related person transaction or otherwise affect the director's independence.

### **6. Board Leadership Structure**

The Board shall determine the leadership structure of the Board from time to time. The Board shall choose its Chairman based upon the Board's view of what is in the best interests of the Company at any given point in time, based on the recommendation of the Nominating and Corporate Governance Committee. Therefore, the Board does not have a policy on whether or not the role of the Chairman and Chief Executive Officer should be separate or combined and, if it is to be separate, whether the Chairman should be selected from the non-employee directors or be an employee.

In order to facilitate communication between management and the non-employee directors, in the event that the Chairman of the Board is not an independent director, the Board should elect a “Lead Independent Director,” who will have the responsibility to schedule and prepare agendas for meetings of the non-employee directors. The Lead Independent Director will communicate with the Chief Executive Officer, disseminate information to the rest of the Board in a timely manner and raise issues with management on behalf of the non-employee directors when appropriate. All members of the Board are encouraged to communicate with the Chief Executive Officer.

## **7. Directors Who Change Their Present Job Responsibility**

The Board does not believe that directors who retire or change the position they held when they became a member of the Board should necessarily leave the Board. There should, however, be an opportunity for the Nominating and Corporate Governance Committee to review the continued appropriateness of Board membership under such circumstances.

## **8. Term Limits**

The Board does not believe it should establish term limits. While term 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 an alternative to term limits, the Nominating and Corporate Governance Committee will review each director’s continuation on the Board every three years. This will allow each director the opportunity to conveniently confirm his or her desire to continue as a member of the Board.

## **9. Other Directorships and Audit Committee Memberships**

Directors must limit the number of other public company boards on which they serve to two in order to facilitate effective service on the Company’s Board, except that the Chief Executive Officer and any non-employee director who serves as an executive officer (other than an executive Chair) of a public company must limit the total number of public company boards on which they serve to two. Directors should advise the Chairman of the Board and the Chair of the Nominating and Corporate Governance Committee before accepting an invitation to serve on another public company board.

In addition, no member of the Company’s Audit Committee may simultaneously serve on the audit committee of more than two other public companies.

## **Board Responsibilities**

### **10. Director Responsibilities**

The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be the best interests of the Company and its shareholders. In discharging that obligation, directors should be able to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors. The directors shall also be entitled to have the Company purchase reasonable directors' and officers' liability insurance on their behalf and shall be entitled to the benefits of indemnification to the fullest extent permitted by law and the Company's Amended and Restated Articles of Incorporation, By-Laws and any indemnification agreements.

### **11. Director Orientation and Continuing Education**

All new directors should participate in the Company's orientation program, which should be conducted within two months of a new director's election. This orientation 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 Business Conduct and Ethics, its principal officers and its internal and independent auditors and legal counsel. In addition, the orientation will include visits to the Company's headquarters and, to the extent practicable, certain of the Company's other facilities. All other directors are also invited to attend the orientation program. Further, the Company encourages directors to participate in continuing education programs focused on the responsibilities of members of the Board. The Company shall reimburse directors for customary and reasonable expenses incurred in connection with their participation in such continuing education programs.

### **12. Executive Sessions of Non-Management Directors**

The non-management directors of the Company will meet in executive sessions without management at least quarterly. The Lead Independent Director, or if no Lead Independent Director has been appointed by the Board, the Chair of the Nominating and Corporate Governance Committee, shall preside at the executive session meetings and determine what record, if any, should be made of the meetings.

In order that interested parties may be able to make their concerns known to the non-management directors, the non-management directors shall establish and disclose a method for such parties to communicate directly with the Lead Independent Director, or if no Lead Independent Director has been appointed by the Board, the Chair of the Nominating and Corporate Governance Committee, or with the non-management directors as a group.

### **13. Evaluation of the Board**

The Board shall conduct a self-evaluation at least annually to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee, or an outside governance expert, shall receive comments from all directors and report annually to the Board with an assessment of the performance of the Board and each committee of the Board.

The Nominating and Corporate Governance Committee shall oversee the evaluation of individual Board member performance and examine such factors as experience, business judgment, integrity, time and commitment, shareholdings, teamwork and independence.

#### **14. Communication with the Board; Board Interaction with Institutional Investors, Press and Customers**

The Board has implemented a process whereby shareholders of the Company or other interested parties may send communications to the Board's attention. Any shareholder or other interested party desiring to communicate with the Board, or one or more specific members thereof, should communicate in writing addressed to Shoe Carnival, Inc., Board of Directors, c/o Lead Director, 1800 Innovation Point, 5th Floor, Fort Mill, South Carolina 29715.

The Board believes that, except in extraordinary circumstances, management should speak for the Company. It is suggested that each director refer inquiries from institutional investors, the press or customers to management.

#### **Meeting Procedures**

##### **15. Attendance at Meetings**

Directors are expected to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Directors are also expected to attend the annual meeting of shareholders.

##### **16. Agenda Items for Board Meetings**

The Chairman of the Board, the Lead Independent Director and the Chief Executive Officer of the Company will establish the agenda for each meeting of the Board. Each Board member is free to suggest the inclusion of items on the agenda, as well as to raise at any Board meeting subjects that are not specifically on the agenda for that meeting.

At the beginning of the year, the Chairman of the Board, with the assistance of the Secretary, will establish a schedule of agenda subjects to be discussed during the year (to the degree this can be foreseen). 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.

##### **17. Board Material Distributed in Advance**

Information and data that are important to the Board's understanding of the business will be distributed in writing to the Board before the Board meets and to each committee before such committee meets. Management will make every attempt to see that this material is concise, informative and clear. Directors shall review this material prior to the meeting.

## **Committee Matters**

### **18. Names of Committees**

The Board will have at all times an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The purposes and responsibilities of each of these committees are outlined in the committee charters. The Board may, from time to time, establish or maintain additional committees as necessary or appropriate. The Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee shall be composed entirely of independent directors.

### **19. Assignment and Rotation of Committee Members**

The Nominating and Corporate Governance Committee is responsible for making recommendations to the Board with respect to the assignment of Board members to various committees and with respect to the Chairs of each committee. After reviewing the Nominating and Corporate Governance Committee's recommendations, the Board shall be responsible for appointing the Chairs and members to the committees on an annual basis.

The Nominating and Corporate Governance Committee shall annually review the committee assignments and shall consider the rotation of Chairs and members with a view toward balancing the benefits derived from continuity against the benefits derived from the diversity of experience and the viewpoints of the various directors.

### **20. Frequency of Committee Meetings**

The committees shall meet at least as often as described in the applicable charter. In addition, each committee Chair, in consultation with committee members and management, will determine whether and when to have additional meetings of such committee.

### **21. Agenda Items for Committee Meetings**

The Chair of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda for each meeting.

At the beginning of each year, each committee will establish a schedule of agenda subjects to be discussed for the ensuing year (to the degree these can be foreseen). This forward agenda will also be shared with the full Board.

## **Compensation**

### **22. Director Compensation**

The form and amount of director compensation should come at the suggestion of the Compensation Committee, but with full discussion and concurrence by the Board, and the Compensation Committee will conduct a periodic review of director compensation.

The Company believes that compensation for directors should be competitive and should encourage increased ownership of the Company's stock through the payment of a portion of director compensation in Company stock or options to purchase the Company's stock.

It is appropriate for the staff of the Company to report from time to time to the Compensation Committee on the status of the compensation of the Company's directors in relation to other U.S. companies. In addition, the Compensation Committee has the authority to retain any compensation consultant to be used to assist in the evaluation of director compensation.

### **Access and Advisors**

#### **23. Board Access to Management and Employees**

Directors shall have full and free access to the Company's management and employees. Any meetings or contacts that a director wishes to initiate may be arranged through the Chief Executive Officer or the Secretary or directly by that director.

Furthermore, the Board welcomes regular attendance at each Board meeting of senior officers of the Company. The Board also encourages management, from time to time, to bring managers into Board meetings who: (a) can provide additional insight concerning the items being discussed because of personal involvement in these areas, and/or (b) have future potential such that management believes they should be given exposure to the Board.

#### **24. Independent Advisors**

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 approval of any officer of the Company in advance.

### **Leadership Development**

#### **25. Evaluation of Chief Executive Officer**

The Compensation Committee will evaluate the Chief Executive Officer's performance annually, and the evaluation should be communicated to the Chief Executive Officer and to the full Board. The evaluation should be based on objective criteria including performance of the business, establishment of long-term strategies, accomplishment of long-term strategic objectives and development of management.

The evaluation will be used by the Compensation Committee in the course of its deliberations when considering the compensation of the Chief Executive Officer.

## **26. Succession Planning**

The Nominating and Corporate Governance Committee should report periodically to the Board on succession planning. The Board should consider and evaluate potential successors to the Chief Executive Officer. There should also be available, on a continuing basis, the Chief Executive Officer's recommendation concerning who should assume that role in the event he or she becomes unable to perform his or her duties. The Chief Executive Officer should also report periodically to the Board and/or the Nominating and Corporate Governance Committee regarding succession planning for the other members of senior management.

## **27. Management Development**

There should be an annual report to the Board by the Chief Executive Officer on the Company's program for management development.

## **28. Stock Ownership Guidelines**

Each non-employee director and executive officer of the Company is expected to comply with the Company's Stock Ownership Guidelines, as amended. The Compensation Committee shall be responsible for monitoring the application of the Stock Ownership Guidelines to the non-employee directors and executive officers of the Company.

## **29. Pledge Arrangements**

The Company's directors and executive officers are prohibited from holding Company securities in a margin account or otherwise pledging Company securities as collateral for a loan.

## **30. Hedging Arrangements**

The Company's directors and executive officers are prohibited from (a) purchasing any financial instruments (including prepaid variable forward contracts, equity swaps, collars and exchange funds), or otherwise engaging in transactions, that hedge or offset, or are designed to hedge or offset, any decrease in the market value of Company securities that such individual holds, directly or indirectly, whether or not such Company securities were acquired as part of such individual's compensation; and (b) conducting short sales of Company securities. This restriction does not preclude the Company's directors and executive officers from engaging in general portfolio diversification or investing in broad-based index funds.