

## DSW Inc.

### Policy for Approval of Related Party Transactions by the Audit Committee

(amended March 29, 2007)

**1. Policy.** Pursuant to Article III of the Audit Committee Charter of DSW Inc. (the “Company”), the Audit Committee is responsible for approving Related Person Transactions with the Company. The Audit Committee may amend this policy from time to time in its sole discretion.

**2. Related Person Transaction.** For purposes of this policy, a “Related Person Transaction” is any transaction, or a series of similar transactions, which is currently proposed or has been in effect at any time since the beginning of the last fiscal year, in which the Company or any of its subsidiaries, was, or is proposed to be, a participant, and in which any of the following persons (each, a “Related Person”) has or will have a direct or indirect material interest:

- (1) any person who is, or at any time since the beginning of the Company's last fiscal year was, a director, director nominee or executive officer of the Company;
- (2) a shareholder of the Company who owns more than five percent (5%) of any class of the Company's voting securities;
- (3) a member of the immediate family<sup>1</sup> of any person described in (1) or (2) above; and
- (4) an entity in which any person described in (1), (2) or (3) above has a greater than ten percent (10%) equity interest.

**3. Identification of Potential Related Person Transactions.** Any executive officer or director shall notify the Chief Compliance Officer as soon as reasonably practicable about any potential Related Person Transaction.

**4. Determination of Related Person Transactions.** The Chief Compliance Officer shall determine whether a potential transaction or relationship constitutes a Related Person Transaction that requires compliance with this policy. If the Chief Compliance Officer determines that the transaction or relationship constitutes a Related Party Transaction, the transaction will be referred to the Audit Committee in accordance with Section 5 of this policy.

**5. Review and Approval or Ratification of Related Person Transactions.** In reviewing Related Person Transactions, the Audit Committee shall be provided with full details of the

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<sup>1</sup> For purposes of this policy, a person's immediate family shall include such person's spouse, parents, stepparents, children, stepchildren siblings, mothers and fathers-in-law, sons and daughters-in-law, and brothers and sisters-in-law, and any person (other than a tenant or employee) sharing the household of such person.

Related Person Transaction, including (1) the terms of the transaction; (2) the business purpose of the transaction; (3) the benefits to the Company and to the relevant Related Person; and (4) whether the transaction would require a waiver of the Company's Code of Conduct. In determining whether to approve a Related Person Transaction with the Company, the Audit Committee shall consider each of the following factors, to the extent relevant:

- Is the transaction in the normal course of the Company's business?
- Are the terms of the transaction fair to the Company?
- Are the terms of the transaction commercially reasonable? Are the terms of the transaction substantially the same as the terms that the Company would be able to obtain in an arms-length transaction with an unrelated third party?
- Has the Company obtained an independent appraisal or completed a financial analysis of the transaction? If so, what are the results of such appraisal or analysis?
- Is the transaction in the best interests of the Company? The Company's shareholders?
- Would the transaction impair a director's independence in the event that the Related Person is an independent director?

Based on an analysis of these factors (and other additional factors that the Audit Committee may deem relevant based on the circumstances), the Audit Committee shall take formal action to either approve or reject the Related Person Transaction, and communicate this determination as soon as reasonably practicable to management of the Company.

Any member of the Audit Committee who has an interest in the transaction under discussion will abstain from voting on the approval of the Related Person Transaction, but may, if so requested by the Chairman of the Audit Committee, participate in some or all of the Audit Committee's discussions of the Related Person Transaction.

The Audit Committee may also apply these factors and formally pre-approve certain types of Related Person Transactions, if it determines that these types of transactions are likely to recur and can be pre-approved according to criteria established for Related Person Transactions. Any transaction entered into under pre-approved criteria must be reported to the Audit Committee on a timely basis, and the Audit Committee will formally review such transactions at its next scheduled meeting.

In the event the Company's management becomes aware of a Related Person Transaction that has not been previously approved or ratified under this policy, the transaction will be submitted to the Audit Committee which shall consider all of the relevant facts and circumstances. The Audit Committee shall evaluate all options, including, but not limited to, ratification, amendment or termination of the Related Person Transaction.

## **6. Application**

The procedures set forth in this policy are supplemental to, and are not intended to replace or supersede, any other policies or procedures of the Company that require any governing body or an officer of the Company to review and/or approve transactions. In addition, these procedures are supplemental to, and are not intended to replace or supersede, the Company's other policies and procedures that may be applicable to transactions with Related Persons, including the Company's Code of Conduct. Directors and executive officers shall continue to adhere to their obligations and responsibilities under the foregoing other policies and procedures. Transactions that are subject to the procedures set forth in this policy must be reported by each director, nominee for director, or executive officer, as required by this policy regardless of whether such transactions are in compliance with the foregoing other policies and procedures.

Approval or ratification of a Related Person Transaction in accordance with the procedures set forth in this policy shall not constitute final approval of the Company's participation in the transaction in any case where, in accordance with the standard governance practices and procedures of the Company, the approval of the transaction by the Board of Directors, a Committee of the Board of Directors or an officer of the Company would be required; nor, in any such case, shall the prior approval by the Audit Committee relieve the Related Person from providing to the Board of Directors or such Committee, as applicable, full disclosure of the material facts regarding the nature of the transaction and the Related Person's relationship to and interest in the transaction.

## **7. Disclosure**

All Related Person Transactions that are required to be disclosed in the Company's filings with the Securities and Exchange Commission, as required by the Securities Act of 1933 and the Securities Exchange Act of 1934 and related rules and regulations, shall be so disclosed in accordance with such laws, rules and regulations.

The material features of this policy shall be disclosed in the Company's annual report on Form 10-K or in the Company's proxy statement, as required by applicable laws, rules and regulations.