



AUDIT COMMITTEE CHARTER

(Rev. February 2016)

1. Statement of Purpose

The Audit Committee (the “Committee”) is a committee of the Board of Directors (the “Board”) of Carter’s, Inc. (the “Company”). Its primary purpose is to provide assistance to the Board in fulfilling its responsibilities to the shareholders and investment community. Primary responsibilities include:

- oversight of quality and integrity of, and risks related to, the consolidated financial statements, including the accounting, auditing, reporting and disclosure practices of the Company;
- oversight of the Company’s internal control over financial reporting;
- oversight of the Company’s audit process;
- oversight of the Company’s Enterprise Risk Management Program;
- selection and retention of the independent auditor and oversight of their performance, including their qualifications and independence;
- oversight of the Company’s compliance with legal and regulatory requirements, except to the extent oversight is delegated to other Board committees; and
- oversight of the performance of the Company’s internal audit function.

In carrying out its duties hereunder, it is the responsibility of the Committee to maintain free and open communication between itself, independent auditors, internal auditors and management. The Committee shall also instruct management, the independent auditors and the internal auditors that the Committee expects to be advised immediately if there are areas that require its special attention. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all of the Company’s books, records, facilities, and personnel along with the power to retain outside counsel, or other experts for this purpose. The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible in order to best react to changing conditions and circumstances. The Committee will take appropriate actions to set the tone of highest integrity and standards in the Company’s reporting and business practices.

2. Composition of the Audit Committee

The Committee shall consist of not less than three members appointed by the Board of the Company. The Board shall appoint one of the members to serve as Chairman of the Committee. Members of the Committee shall satisfy the independence and literacy requirements of the Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley”) (Rule 10A-3 of the Securities Exchange Act of 1934), the New York Stock Exchange (“NYSE”) and the Company, and at least one member shall be an Audit Committee Financial Expert, as defined by rules of the Securities Exchange Commission, in each case as such requirements are interpreted by the Board in its business

judgment. No member of the Committee may sit on more than three separate audit committees of a Securities and Exchange Commission registrant.

3. Meetings of the Audit Committee

The Committee shall hold regularly scheduled meetings and such special meetings as circumstances dictate. Periodically, it shall meet separately with management, the internal auditor, and the independent auditor to discuss any matters that the Committee or any of these persons or firms believes should be discussed in private. All Committee members are expected to attend each meeting, in person or via teleconference. The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information as necessary. Meeting agendas will be prepared by the Committee Chairman (or a delegate) and provided in advance to members, along with appropriate briefing materials. The Committee will report to the Board on a regular basis and will provide the minutes of all Committee meetings to the Board. The Committee will be governed by the same rules that govern the Board regarding meetings, action by written consent, notice, waiver of notice, quorum, and voting requirements.

4. Responsibilities of the Audit Committee

The function of the Committee is oversight. While the Committee has the responsibilities set forth in this charter, it is not the responsibility of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles ("GAAP"). It is management's responsibility to prepare complete and accurate financial statements in accordance with GAAP. It is the independent auditor's responsibility to plan and conduct an audit for the purpose of reaching an opinion on whether management's financial statements are fairly presented in accordance with GAAP. The independent auditor for the Company reports directly to the Committee. The Committee has direct and sole responsibility for the appointment, compensation, oversight and replacement, if necessary, of the independent auditor, including the resolution of disagreements between management and the auditor regarding financial reporting. In the event that the Board determines to submit the appointment of the independent auditor to the shareholders of the Company and recommend that such independent auditor be approved or ratified, the Committee will advise the Board with respect to making such recommendation. Each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company that it receives information from and (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board). The Committee has the authority to retain legal, accounting or other experts that it determines to be necessary to carry out its duties. It also has the authority to determine compensation for such advisors, as well as for the independent auditor. The Committee shall receive adequate funding from the Company, as determined by the Committee, to compensate any independent auditors, accounting firms, outside legal counsel, and other advisors that the Committee engages.

5. Duties and Proceedings of the Audit Committee

The Committee shall assist the Board in fulfilling its oversight responsibilities by accomplishing the following:

5.1. Oversight of Independent Auditor

- (a) Annually evaluate, determine the selection of, and if necessary, determine the replacement of, or rotation of, the independent auditor (including the lead audit partner and other members of the audit team);
- (b) Pre-approve all auditing and audit-related services (including comfort letters and statutory audits) and all permitted non-audit services by the auditor;
- (c) Receive formal written statements, at least annually, from the independent auditor regarding the auditor's independence, including a delineation of all relationships between the auditor and the Company; discuss with the independent auditor any disclosed relationships or services that may impact the objectivity and independence of the independent auditor, addressing the matters set forth in Public Company Accounting Oversight Board ("PCAOB") Ethics and Independence Rule 3526;
- (d) Receive and review a formal written report detailing the independent auditor's internal quality control procedures and any material issues raised by the independent auditor's internal quality control review, peer review, PCAOB review or any governmental or other professional inquiry or investigation performed within the past five years; and
- (e) Establish policies and monitor the process for hiring former employees of the independent auditor.

5.2. Oversight of Audit Process, Enterprise Risk Management Program, and Legal Compliance

- (a) Review with internal auditors and the independent auditor the overall scope and plans for audits, including adequacy of staffing and compensation, special audit risk areas and materiality. Review with internal auditors and the independent auditor any difficulties or problems with audits including any restrictions on the scope of activities or on access to requested information and any significant disagreements with management and management's response, and resolve any disagreements between the Company's independent auditors and management;
- (b) Review and discuss with management, internal auditors and the independent auditor the Company's system of internal control, its financial and critical accounting policies including significant estimates and accruals, and related party transactions pursuant to the Company's Related Party Transaction policy;
- (c) Review and discuss with management processes, procedures, and capabilities related to the Company's Enterprise Risk Management Program;
- (d) Review and discuss with management the Company's risks relating to financial statements, financial reporting, and internal controls;
- (e) Review and discuss with management and the independent auditor the interim financial statements and management's discussion and analysis ("MD&A") of the Company prior to the filing of the Company's Quarterly Reports on Form 10-Q. Discuss results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditor under generally accepted auditing standards. The Chair of the Committee may represent the entire Committee for purposes of this review;
- (f) Review with management and the independent auditor the financial statements and MD&A disclosure to be included in the Company's Annual Report on Form 10-K. Discuss with management and independent auditor their judgment about the application of accounting principles, the reasonableness of significant judgments, including a description of any transactions as to which the management obtained Statement on Auditing Standards No. 50 letters, and the clarity of disclosures in the financial statements, including the Company's disclosures of critical accounting policies and other disclosures in the MD&A. Discuss alternative treatments of financial information within

GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor. Discuss the results of the annual audit, including material written communication between the independent auditor and management, such as any management letter or schedule of unadjusted differences, and any other matters required to be communicated to the committee by the independent auditor under generally accepted auditing standards;

- (g) Review with management and the independent auditor the results of the annual audit of the Company's internal control over financial reporting required by Section 404 of Sarbanes-Oxley, *Management's Assessment of Internal Controls*;
- (h) Recommend to the Board whether the Company's financial statements should be included in the Company's Annual Report on Form 10-K;
- (i) Review sales and earnings press releases and material sales and earnings guidance provided to analysts and rating agencies. The Chairman of the Committee may represent the entire Committee for purposes of this review. Alternatively, the Committee may establish general standards for the type of information and the type of presentation to be included in the sales and earnings press releases and sales and earnings guidance provided to rating agencies as the Committee need not discuss in advance each sales and earnings press release or each instance in which the Company may provide sales and earnings guidance;
- (j) Discuss with management and independent auditor any changes in the Company's critical accounting principles and the effects of alternative GAAP methods, off-balance sheet structures and regulatory and accounting pronouncements;
- (k) Review, on at least an annual basis, with the general counsel, and outside counsel if necessary, any material pending legal proceedings involving the Company and other contingent liabilities;
- (l) Review with management, periodically, compliance with applicable legal and regulatory requirements, except to the extent delegated to other Board committees;
- (m) Meet, periodically, with the Chief Executive Officer, the Chief Financial Officer, the senior internal auditing executive, the independent auditor, and the general counsel in separate executive sessions to discuss results of examinations. In connection with and prior to giving their required certifications, the Chief Executive Officer and the Chief Financial Officer must disclose to the auditors and the Committee all significant deficiencies and material weaknesses in the design or operation of internal controls, and any fraud that involves management or other employees who have a significant role in the company's internal controls;
- (n) Discuss with independent auditor the matters required to be communicated to audit committees in accordance with Auditing Standard No. 16 Communication with Audit Committees;
- (o) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submissions by employees or contractors of concerns regarding questionable accounting or accounting matters; and
- (p) Review the appointment and replacement of senior internal auditor, internal audit's annual audit plan, budget, organizational structure, and qualifications.

5.3. Other Responsibilities

- (a) Review adequacy of this audit committee charter annually;
- (b) Prepare report for inclusion in the Company's annual proxy statement as required by the rules of the Securities and Exchange Commission;
- (c) Report regularly to the Board; and

- (d) Perform any other activities consistent with the Charter, By-laws and governing law as the Board or the Committee may deem appropriate.

6. Other Areas of Review

The Committee will review other areas, as it deems necessary, including:

6.1. Employee Benefit Plans

The Committee shall review with management the results of the annual audit of the Company's employee benefit plans.

6.2. Tax Returns

The Committee shall review with management and the Company's internal tax advisors the status of tax returns, including open years and potential disputes, and it shall review with management and the independent auditors the adequacy of tax reserves included in the Company's consolidated financial statements.

6.3. Fraudulent or Illegal Activities

The Committee shall review the circumstances of any fraudulent or illegal activities that may be discovered or brought to its attention by any officer, employee, or director pursuant to the Company's Code of Business Ethics and Professional Conduct, and any preventative action taken in response to such activities. It shall initiate an investigation of any special situation, if warranted.

7. Performance Evaluation

The Committee shall undertake an annual performance evaluation of its obligations under this charter and shall report the findings of such review to the Board.

8. Limitations on Scope

The Committee members shall serve on the Committee subject to the understanding on their part and the part of the Company's management, the independent auditors and the internal auditors that:

- The Committee members are not employees or officers of the Company and are not directly involved in the Company's daily operations, and they will not serve as members of the Committee on a full-time basis;
- The Committee members expect the Company's management, the independent auditors and the internal auditors to provide the Committee with prompt and accurate information, so that the Committee can discharge its duties properly; and
- To the extent permitted by law, the Committee shall be entitled to rely on the information and opinions of the persons and entities noted above in carrying out its responsibilities.

The Committee members, in adopting this Charter and in agreeing to serve on the Committee, do so in reliance on, among other things, the provisions of the Company's Certificate of Incorporation which:

- Together with the by-laws, provides indemnification for their benefit; and,
- To the fullest extent provided by law, provides that no director shall be liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as director.

9. Delegation of Authority

The Committee shall have the authority to delegate any of its responsibilities, and the authority to take action with respect to such responsibilities, to one or more subcommittees as the Committee deems appropriate in its sole discretion.