



## **COMPENSATION COMMITTEE CHARTER**

**(REV. FEBRUARY 2016)**

### **1. Statement of Purpose**

The primary purpose of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Carter’s, Inc. and its subsidiaries (the “Company”) is to execute certain responsibilities relating to compensation and succession planning for the Company’s executive officers, independent directors and certain key personnel.

The Committee’s primary responsibilities include:

- establishing the Company’s philosophy, policies, and strategy relative to executive compensation, including the mix of base salary, and short-term and long-term incentive compensation within the context of stated guidelines for compensation relative to peer companies, as determined from time to time by the Committee;
- evaluating the performance of the Chief Executive Officer and other executive officers relative to approved performance goals and objectives;
- setting the compensation of the Chief Executive Officer and other executive officers based upon the evaluation of performance;
- assisting the Board in developing and evaluating candidates for key executive positions and ensuring a succession plan is in place for the Chief Executive Officer and other executive officers;
- evaluating compensation plans, policies and programs with respect to executive officers, independent directors and certain key personnel;
- monitoring and evaluating benefit programs for the Company’s executive officers and certain key personnel;
- reviewing and discussing with management, and recommending to the Board for inclusion in the proxy statement, proposals relating to shareholder advisory votes on executive compensation (the “say-on-pay” proposal) and on the frequency of the “say-on-pay” proposal; and
- reviewing and discussing with management the Company’s compensation discussion and analysis (“CD&A”) and producing an annual report on executive compensation for inclusion in the Company’s annual report or proxy statement, as applicable.

### **2. Guiding Compensation Principles**

The Company’s compensation programs are intended to provide a link between the creation of shareholder value and the compensation earned by the Company’s executive officers, independent directors and certain key personnel. The Company’s compensation programs are designed to:

- attract, motivate and retain superior talent;
- ensure that compensation is commensurate with the Company’s performance and shareholder returns;

- provide performance awards for the achievement of strategic objectives that are critical to the Company's long-term growth; and
- ensure the executive officers, independent directors and certain key personnel have financial incentives to achieve sustainable growth in shareholder value.

### **3. Responsibilities and Authority of the Compensation Committee**

The responsibilities and authority of the Committee are set forth below. The Committee shall also carry out any other responsibilities assigned to it by the Board.

In fulfilling its responsibilities, the Committee:

- is empowered to investigate any matter brought to its attention;
- may, in its sole discretion, select and retain or obtain the advice of a compensation consultant, legal counsel or other advisor;
- shall consider all factors relevant to the independence of such consultant, legal counsel or advisor from management, including the factors set forth in the New York Stock Exchange listing standards then in effect and any other applicable laws, rules or regulations, before selecting such consultant, legal counsel or advisor or obtaining its advice; and
- has the direct responsibility for the appointment, termination, compensation and oversight of consultants, legal counsel or other advisors retained by the Committee with respect to executive compensation.

The Committee will receive adequate funding from the Company, as determined by the Committee, to engage such advisors. With respect to such advisors, the Committee will have the sole authority to negotiate and approve the terms of engagement and related fees. The Committee will evaluate whether any consultant, legal counsel, or advisor that the Committee retains has a conflict of interest pursuant to any applicable rules, regulations, and internal policies.

It shall be the duty of the Committee to:

- review, approve and evaluate on an annual basis the corporate goals and objectives relevant to the compensation of the executive officers and certain other key personnel of the Company. Such evaluation shall be performed in order to assess the performance of the Chief Executive Officer and other executive officers of the Company relative to those goals and objectives and to establish total annual compensation, including, but not limited to (i) base salary, (ii) incentive compensation, (iii) employment agreements, severance agreements, and (iv) any other special compensation or supplemental benefits;
- review on an annual basis and make recommendations to the Board with respect to compensation levels of independent directors of the Company. Such evaluation shall take into consideration the compensation paid to independent directors of comparable companies and the specific duties of each director;
- review and discuss with management the Company's CD&A, and, based on that review and discussion, recommend to the Board that the CD&A be included in the Company's annual proxy statement or annual report, as applicable;
- review and discuss with management the Company's "say-on-pay" proposal, how frequently shareholders should vote on this proposal and, based on that review and discussion, recommend to the Board the proposals to be included in the Company's proxy statement. The Committee shall also consider the outcome of shareholder votes on such

proposals when establishing compensation arrangements for the Company's executive officers;

- review and, when appropriate, make recommendations to the Board regarding the adoption of new employee incentive compensation plans and equity-based plans and administer the Company's incentive compensation plans and equity-based plans. This includes setting and monitoring performance standards for vesting or payment of short-term and long-term incentive awards and approving annual targets for management incentive plans and verifying target achievement prior to payment;
- grant awards of shares or options to purchase shares pursuant to the Company's equity-based plans;
- adopt, amend or terminate compensation plans, in accordance with the terms of such plans, applicable to any class of employees of the Company. No adoption, amendment or termination of any compensation plan under which stock may be issued or in which a member of the Board may be a participant shall be effective unless it is approved by the Board and, to the extent required by law, by the stockholders. No adoption, amendment or termination of any compensation plan may be made that violates this or any other committee charter of the Company;
- assist the Board in developing and evaluating potential candidates for key positions and assure a succession plan is in place for the Chief Executive Officer and other executive officers. The succession plan shall be reviewed annually to ensure that the plan is current and reflects the foreseeable needs of the Company;
- review and recommend to the Board for approval any changes in employee pension programs and review key employee salary levels and ranges, including fringe benefits;
- monitor the Company's compliance with the requirements of applicable laws, regulations and rules relating to compensation arrangements for directors and executive officers;
- review risks related to the Company's compensation policies and practices with respect to both executive compensation and compensation generally, including the alignment of compensation programs with any related Company risk management policies and procedures;
- review, and make recommendations to the Board for its adoption of, stock ownership guidelines for executives and directors and any amendments to any such guidelines;
- establish and administer Company policies relating to the recoupment of incentive compensation that comply with legal and listing requirements;
- review any other duties or responsibilities delegated to the Committee by the Board from time to time relating to the Company's compensation programs; and
- establish an annual calendar of issues and functions to guide the activities of the Committee.

#### **4. Composition of the Compensation Committee**

The Committee shall consist of not less than three members appointed by the Board. Members of the Committee shall satisfy the independence requirements of the Company and the New York Stock Exchange as such requirements are interpreted by the Board in its business judgment. No Committee member may serve unless he or she (i) is a "non-employee director" for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and (ii) satisfies the requirements of an "outside director" for purposes of Section 162(m) of the Internal Revenue Code. The Board shall appoint one of the members of the Committee to serve as Chairman of the Committee. The Board may remove any member from the Committee at any time, with or without cause.

**5. Meetings of the Compensation Committee**

The Committee shall hold regular meetings on an annual basis and such special meetings as circumstances dictate, each at such times and places as the Committee deems necessary to fulfill its responsibilities. All Committee members are expected to attend each meeting, in person or via teleconference. The Chairman will chair all regular sessions held by the Committee and set the agendas for such sessions.

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.

All non-management members of the Board that are not members of the Committee may attend meetings of the Committee but may not vote. In addition, the Committee may invite to its meetings any member of management of the Company and such other persons, as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

**6. Meetings with Management**

The Committee shall meet with the Chief Executive Officer, and any other corporate officers as the Committee deems appropriate, to discuss and review the performance criteria and compensation levels of key executives. The Committee shall not, in any event, discuss the compensation level or performance of any executive in any meeting at which such executive is present. Such meetings with management shall be in addition to the regular meetings of the Committee.

**7. Reports**

The Committee shall prepare an annual report on executive compensation for inclusion in the Company's proxy statement, in accordance with applicable rules and regulations of the New York Stock Exchange, the SEC and other applicable regulatory bodies.

The Committee shall maintain minutes or other records of meetings and activities of the Committee and will report to the Board following each meeting. The reports shall include any recommendations the Committee deems appropriate and any other matters that are relevant to the fulfillment of the Committee's responsibilities. The report to the Board may be a verbal report and may be made at any meeting of the Board.

**8. Performance Evaluation**

The Committee shall conduct an annual performance evaluation of the Committee, including a review of the effectiveness of the Committee and its compliance with this Charter. In addition, the Committee shall annually review and reassess the adequacy of this Charter and recommend to the Board any improvements to this Charter that the Committee considers necessary or valuable.

**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.