

carter's, inc.

CORPORATE GOVERNANCE PRINCIPLES

as of February 18, 2010

I. General Duties

The Board of Directors (the “Board”), which is elected by the shareholders, is the ultimate decision making body of the Company, except with respect to matters reserved for shareholder vote. The following corporate governance principles set forth general standards that the Board has developed in order to assist in its, or its committees’, oversight responsibilities, which include:

- (a) providing advice and counsel to the Chief Executive Officer (“CEO”) and executive officers;
- (b) regularly evaluating, setting the compensation of, and, where appropriate, replacing the CEO;
- (c) overseeing the conduct of the Company's business and strategic plans to evaluate whether the business is being properly managed;
- (d) reviewing and approving the Company's financial objectives and major corporate plans and actions;
- (e) providing oversight of internal and external audit processes and financial reporting;
- (f) providing oversight of risk assessment processes and processes designed to promote legal compliance;
- (g) evaluating the overall effectiveness of the Board, as well as selecting and recommending to shareholders qualified candidates for election to the Board; and
- (h) performing such other functions as the Board believes appropriate or necessary, or as otherwise prescribed by rules or regulations.

II. Board Structure, Selection and Performance

Board Size

The Board believes an appropriate size to be eight to eleven members based on the Company’s present circumstances. The Nominating and Corporate Governance Committee periodically reviews the size of the Board and makes recommendations to the Board as necessary.

Director Independence

The Board shall have a majority of independent Directors who meet the independence requirements of the New York Stock Exchange. In addition, no Director shall be considered independent if:

- the Director, or an immediate family member of the Director, is, or within the last three years has been, employed by a company that has a director who is an officer of the Company;
- the Director serves as an officer, director, or trustee, or as a member of a fund raising organization or committee of a not-for-profit entity to which the Company made, in any of the last three fiscal years, contributions in excess of the greater of (i) \$50,000, or (ii) 2% of the gross annual revenues or charitable receipts of such entity; or
- the Director is, or within the last three years has been, an executive officer of another company that is indebted to the Company, or to which the Company is indebted, and the total amount of either company's indebtedness to the other exceeds 1% of the total consolidated assets of such company.

The Nominating and Corporate Governance Committee shall annually review these independence requirements in order to ensure compliance.

Each Director shall disclose to the Chairman of the Board, the Chairman of the Nominating and Corporate Governance Committee, or the Lead Director any circumstance he or she believes may conflict with these requirements. Each Director shall also disclose to the Chairman of the Board, the Chairman of the Nominating and Corporate Governance Committee, or the Lead Director prior to any related Board decision, any circumstance he or she believes creates a potential conflict of interest with such decision. If the Chairman of the Board, the Chairman of the Nominating and Corporate Governance Committee, or the Lead Director, in consultation with legal counsel, determines a conflict of interest exists or the perception of a conflict is likely to be significant, such Director shall recuse himself or herself from any discussion or vote related to such matter.

Board Membership Criteria

The Nominating and Corporate Governance Committee shall be responsible for reviewing with the Board, on an annual basis, the appropriate skills and characteristics required of Board members in the context of the current composition of the Board, and providing an assessment of the perceived needs of the Board at that point in time. The Nominating and Corporate Governance Committee's review may include consideration of all relevant factors, including the experience, integrity, diversity and reputation of potential candidates.

Board Selection Process

The Board shall be responsible for recommending candidates for election by the shareholders. The Board shall delegate the screening process to the Nominating and Corporate Governance Committee. Invitations to join the Board shall be extended by the

Chairman of the Board or the Chairman of the Nominating and Corporate Governance Committee.

In determining whether to recommend a Director for re-election, the Nominating and Corporate Governance Committee shall consider all information it determines to be relevant, including the Director's past attendance at meetings and participation in, and contributions to, the activities of the Board.

Terms and Term Limits

Each Board member will be elected to serve a three-year term. The Board does not believe it should limit the number of terms for which an individual may serve as Director. Directors who serve on the Board for an extended period of time are able to provide valuable insight into the operations and future of the Company based on their experience with, and understanding of, the Company.

Orientation and Continuing Education

The Board and the Company shall provide a complete orientation process for new Directors that includes background material, meetings with senior management and visits to Company facilities. The Board shall explore continuing education opportunities for its members as appropriate.

Structure, Independence and Responsibilities of Board Committees

The Board will have at least three committees: Audit, Compensation and Nominating and Corporate Governance (the "Committees"). Membership on the Committees will comply with the independence requirements of the New York Stock Exchange. The purposes and responsibilities of each Committee will be set forth in the respective Committee charters, which will be posted on the Company's website. The Board retains discretion to form and disband additional committees.

Appointment of Members to Committees

The Nominating and Corporate Governance Committee shall make recommendations to the Board regarding the appointment of Board members to the Committees and the appointment of Committee chairpersons.

III. Functioning of the Board

Chairman of the Board and Chief Executive Officer

The positions of Chairman of the Board and CEO may be vested in the same individual or two different individuals, as determined by the non-management Directors to be in the best interest of the Company.

Lead Independent Director

When the Chairman of the Board is not an independent Director, the independent Directors shall elect one of the independent Directors to serve as the Board's Lead Independent Director (the "Lead Director"). The responsibilities of the Lead Director may include:

- serving as an advisor to the CEO on Board, executive management and other high-level matters;
- serving as a liaison between non-management Directors and the CEO;
- providing annual Board assessment and other feedback to the CEO;
- advising the CEO on the Board's informational needs;
- consulting on Board meeting materials, schedules and agendas;
- calling and presiding over executive sessions of non-management Directors;
- presiding at the Board meetings in the absence of the Chairman; and
- after consultation with the CEO, communicating with major shareholders or other interested parties, as appropriate.

Board and Committee Meetings

The Board and each of the Committees shall have at least four regularly scheduled meetings each year. Each Board and Committee member is expected to attend each regularly scheduled meeting in person or by conference call.

Selection of Board and Committee Meeting Agenda Items

The Chairman of the Board, in consultation with the Lead Director, and the Chair of each Committee shall establish the agenda for each Board and Committee meeting, respectively. The meeting materials will be reviewed with appropriate Board member(s), as determined by the Board, prior to distribution. Each Board or Committee member shall be free to suggest the inclusion of items on the respective agendas.

Board Materials and Information

Information that is important to the understanding of the issues to come before the Board and any Committee shall be distributed in writing to the Board and Committee members prior to each Board and Committee meeting. Each Director is expected to review these materials prior to each Board and Committee meeting. Management should ensure that this material is as concise as possible while still providing the desired information.

Board Meeting Presentations

As a general rule, Board meeting time should be reserved for Board discussion. Presentations on specific subjects should be sent to the Directors in advance so that Board meeting time may be conserved and discussion focused on questions that the Board has about the material presented. However, it is recognized that there may be occasions in which the subject matter may relate to recent events or may be too sensitive in nature to be communicated in writing prior to the meeting. Accordingly, sufficient time will be reserved to discuss such matters.

Attendance at Board Meetings by Executives

The Board welcomes regular attendance of the Company's executive officers and other senior employees at Board meetings. The Board encourages management to, from time to time, bring managers into Board meetings who can provide particular insight into the items being discussed or have future potential such that management believes he or she should be given exposure to the Board.

Regular Executive Sessions of Non-Management Directors

The non-management Directors shall regularly meet in executive sessions, no less frequently than four times per year. These executive sessions may be held at regularly scheduled Board meetings. The Lead Director shall be the presiding Director at the executive sessions and shall set the sessions' agendas and procedures.

Board Access to Senior Managers and Independent Advisors

Directors shall have complete access to the Company's executive officers and senior management. It is assumed that Directors will use good judgment to ensure that this contact is not distracting to the business operations of the Company. Directors shall have the authority at any time to select, retain and terminate outside advisors as they deem necessary or appropriate to discharge their responsibilities. Directors shall also have access to the Company's advisors.

Board Interaction with Investors, Press, Customers and Shareholders

Directors receiving media or other third-party inquiries about the Company should refer such inquiries to the Board's Secretary, to the Chairman of the Board, or to the Lead Director. If a response to any such inquiry is appropriate, they should, in most circumstances, come from the Chairman of the Board or Lead Director. Individual Directors may, from time to time, at the request of management, meet or otherwise communicate with various constituencies.

Commitment and Limits on Other Activities

Generally, Directors shall limit the number of other corporate boards (excluding non-profit entities) on which they serve to four, with the lower limit applying to Directors who are engaged full-time in another business. No member of the Company's Audit Committee shall serve on the audit committee of more than two other companies. Directors shall advise

the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on another board of directors.

Annual Self-Evaluation

The Board shall conduct an annual self-evaluation of its performance and the performance of the Committees. The evaluation shall be based on objective criteria including performance of the business, accomplishment of long-term strategic objectives, development of management, and the degree to which shareholder interests have been satisfied.

IV. Compensation, Evaluation and Succession Planning for the CEO

Formal Evaluation of the CEO

The Board shall undertake an annual evaluation of the CEO and discuss the results of the assessment. The Lead Director and Chairman of the Compensation Committee shall communicate the results of the assessment to the CEO. The evaluation shall be based on criteria the Board deems relevant, including performance of the business, accomplishment of long-term strategic objectives, and the development of management.

The Compensation Committee shall use this evaluation, together with the CEO and Company's performance against his and its goals and objectives, in determining the CEO's annual compensation.

Succession Planning

The CEO shall report at least annually to the Board on succession planning. In addition, there shall be available, on a continuing basis, the CEO's recommendation for his successor in the event of the resignation, retirement or disability of the CEO.

Board Compensation

The form and amount of Director compensation shall be recommended by the Compensation Committee for approval by the Board. In determining compensation, the Board and the Compensation Committee shall take into consideration the compensation of Directors in relation to compensation paid to non-management directors of comparable companies.

V. Corporate Governance Principles

Annual Review

The Nominating and Corporate Governance Committee shall review these Principles annually and recommend amendments to the Board as necessary. These Principles shall be communicated to the Company's shareholders via posting on the Company's website.