

CARTERS INC
Form DEF 14A
April 09, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Carter s, Inc.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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April 9, 2014

Dear Shareholder,

It is my pleasure to invite you to attend our 2014 Annual Meeting of Shareholders on May 14, 2014. The meeting will be held at 8:00 a.m. at our offices located at 3438 Peachtree Road NE, Suite 1800, Atlanta, Georgia 30326.

The attached Notice of the 2014 Annual Meeting of Shareholders and Proxy Statement describe the formal business to be conducted at the meeting. Whether or not you plan to attend the Annual Meeting, your shares can be represented if you promptly submit your voting instructions by telephone, over the internet, or by completing, signing, dating, and returning your proxy card in the enclosed envelope.

On behalf of the Board of Directors and Leadership Team of Carter's, Inc., thank you for your continued support.

Sincerely,

Michael D. Casey
Chairman and Chief Executive Officer

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3438 Peachtree Road NE, Suite 1800

Atlanta, Georgia 30326

Tel: (678) 791-1000

Fax: (404) 846-1647

NOTICE OF 2014 ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the 2014 Annual Meeting of Shareholders of Carter's, Inc. (the Annual Meeting) will be held at 8:00 a.m. on May 14, 2014 at our offices located at 3438 Peachtree Road NE, Suite 1800, Atlanta, Georgia 30326. The business matters for the Annual Meeting are as follows:

- 1) The election of four Class II directors;
- 2) An advisory approval of executive compensation;
- 3) The ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for fiscal 2014; and
- 4) Any other business that may properly come before the meeting.

Shareholders of record at the close of business on March 25, 2014 are entitled to receive notice of, attend, and vote at the Annual Meeting. Your vote is very important. Whether or not you plan to attend the Annual Meeting, to ensure that your shares are represented at the Annual Meeting, please complete, sign, date, and return the proxy card in the envelope provided or submit your voting instructions by telephone or over the internet.

If you plan to attend the Annual Meeting and are a registered shareholder, please bring the invitation attached to your proxy card. If your shares are registered in the name of a bank or your broker, please bring your bank or brokerage statement showing your beneficial ownership with you to the Annual Meeting or request an invitation by writing to me at the address set forth above.

Important notice regarding the availability of proxy materials for the

2014 Annual Meeting of Shareholders of Carter's, Inc. to be held on May 14, 2014:

The proxy materials and the Annual Report to Shareholders are available at

<http://www.carters.com/annuals>

The Board of Directors recommends that you vote FOR each of the proposals identified above.

By order of the Board of Directors,

Michael C. Wu
Senior Vice President, General Counsel, & Secretary

Atlanta, Georgia
April 9, 2014

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GENERAL INFORMATION ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

Why am I receiving this proxy statement?

The Board of Directors of Carter's, Inc. (we, us, our, Carter's, or the Company) is soliciting proxies for our 2014 Annual Meeting of Shareholders on May 14, 2014 (the Annual Meeting). This proxy statement and accompanying proxy card are being mailed on or about April 16, 2014 to shareholders of record as of March 25, 2014 (record date).

You are receiving this proxy statement because you owned shares of Carter's common stock on the record date and are, therefore, entitled to vote at the Annual Meeting. By use of a proxy, you can vote regardless of whether or not you attend the Annual Meeting. This proxy statement provides information on the matters on which the Company's Board of Directors (the Board) would like you to vote so that you can make an informed decision.

What is the purpose of the Annual Meeting?

The purpose of the Annual Meeting is to address the following business matters:

1. The election of four Class II directors (see page 13);
2. An advisory approval of executive compensation (the say-on-pay vote) (see page 39);
3. The ratification of the appointment of PricewaterhouseCoopers LLP (PwC) as the Company's independent registered public accounting firm for fiscal year 2014 (see page 41); and
4. All other business that may properly come before the meeting.

Who is asking for my vote?

The Company is soliciting your proxy on behalf of the Board. The Company is paying for the costs of this solicitation and proxy statement.

Who can attend the Annual Meeting?

All shareholders of record, or their duly appointed proxies, may attend the Annual Meeting. As of the record date, there were 53,751,457 shares of common stock issued and outstanding.

What are my voting rights?

Each share of common stock is entitled to one vote on each matter submitted to shareholders at the Annual Meeting.

What is the difference between holding shares as a shareholder of record and as a beneficial owner?

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If your shares are registered directly in your name with the Company's transfer agent, American Stock Transfer and Trust Company, you are considered the shareholder of record for these shares. As the shareholder of record, you have the right to grant your voting proxy directly to persons listed on your proxy card or vote in person at the Annual Meeting.

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If your shares are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held in street name. These proxy materials are being forwarded to you together with a voting instruction card. As a beneficial owner, you have the right to direct your broker, trustee, or nominee how to vote, and you are also invited to attend the Annual Meeting. Because you are a beneficial owner and not the shareholder of record, you may not vote your shares in person at the Annual Meeting unless you obtain a proxy from the broker, trustee, or nominee that holds your shares. Your broker, trustee, or nominee should have provided directions for you to instruct the broker, trustee, or nominee on how to vote your shares.

What is a broker non-vote?

If you are a beneficial owner whose shares are held of record by a broker and you do not provide voting instructions to your broker, your shares will not be voted on any proposal on which the broker does not have discretionary authority to vote. This is called a broker non-vote. Your broker **only** has discretionary authority to vote on Proposal Number Three. Therefore, your broker will not have discretion to vote on Proposal Number One and Proposal Number Two unless you specifically instruct your broker on how to vote your shares by returning your completed and signed voting instruction card.

What are my choices when casting a vote with respect to the election of Class II directors, and what vote is needed to elect the director nominees?

In voting on the election of Class II directors (Proposal Number One), shareholders may:

1. vote for any of the nominees,
2. vote against any of the nominees, or
3. abstain from voting on any of the nominees.

Pursuant to our by-laws and our corporate governance principles, the nominees who receive a majority of the votes cast at the Annual Meeting will be elected as Class II directors. This means that the number of votes cast for a director nominee must exceed the number of votes cast against that nominee and votes to abstain with respect to that nominee. Broker non-votes and votes to abstain on Proposal Number One will be counted toward the quorum, and abstentions will have the practical effect of a vote against a director nominee.

What are my choices when casting an advisory vote on approval of executive compensation, commonly referred to as the say-on-pay vote, and what vote is needed to approve this Proposal?

In voting on executive compensation (Proposal Number Two), shareholders may:

1. vote for the approval of compensation of the Company's named executive officers, on an advisory basis, as described in this proxy statement,

2. vote against the approval of compensation of the Company's named executive officers, on an advisory basis, as described in this proxy statement, or

3. abstain from voting on compensation of the Company's named executive officers, on an advisory basis, as described in this proxy statement.

Because this Proposal Number Two asks for a non-binding, advisory vote, there is no required vote that would constitute approval. We value the opinions expressed by our shareholders in this advisory vote, and our Compensation Committee will consider the outcome of the vote when designing our compensation programs and making future compensation decisions for our named executive officers. Abstentions and broker non-votes, if any, will not have any impact on this advisory vote.

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What are my choices when voting on the ratification of the appointment of PwC as the Company's independent registered public accounting firm for fiscal 2014, and what vote is needed to approve this Proposal?

In voting on the ratification of PwC (Proposal Number Three), shareholders may:

1. vote to ratify PwC's appointment,
2. vote against ratifying PwC's appointment, or
3. abstain from voting on ratifying PwC's appointment.

The approval of Proposal Number Three requires the affirmative vote of a majority of the votes properly cast at our Annual Meeting. Abstentions will not affect the outcome of this proposal. A broker or other nominee will generally have discretionary authority to vote on this proposal because it is considered a routine matter, and, therefore, we do not expect broker non-votes with respect to this proposal.

What constitutes a quorum?

A quorum is the minimum number of shares required to be present to transact business at the Annual Meeting. Pursuant to the Company's by-laws, the presence at the Annual Meeting, in person, by proxy, or by remote communication, of the holders of at least a majority of the shares entitled to be voted will constitute a quorum. Broker non-votes and abstentions will be counted as shares that are present at the meeting for purposes of determining a quorum. If a quorum is not present, the meeting will be adjourned until a quorum is obtained.

How does the Board recommend that I vote?

The Board recommends a vote:

FOR the election of the nominees for Class II directors (Proposal Number One);

FOR the approval of executive compensation of the Company's named executive officers as described in this proxy statement (Proposal Number Two); and

FOR the ratification of the appointment of PwC (Proposal Number Three).

How do I vote?

If you are a shareholder of record, you may vote in one of four ways. First, you may vote over the internet by completing the voting instruction form found at www.proxyvote.com. You will need your proxy card when voting over the internet. Second, you may vote by touch-tone telephone by calling 1-800-690-6903. Third, you may vote by mail by signing, dating, and mailing your proxy card in the enclosed envelope. Fourth, you may vote in person at the Annual Meeting.

If your shares are held in a brokerage account or by another nominee, these proxy materials are being forwarded to you together with a voting instruction card. Follow the instructions on the voting instruction card in order to vote your

shares by proxy or in person.

Can I change my vote after I return my proxy card?

Yes. Even after you have submitted your proxy card, you may change your vote at any time before your proxy votes your shares by submitting written notice of revocation to Michael C. Wu, Senior Vice President,

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General Counsel, and Secretary of Carters, Inc., at the Company's address set forth in the Notice of the Annual Meeting, or by submitting another proxy card bearing a later date. Alternatively, if you have voted by telephone or over the internet, you may change your vote by calling 1-800-690-6903 and following the instructions. The powers granted by you to the proxy holders will be suspended if you attend the Annual Meeting in person, although attendance at the Annual Meeting will not by itself revoke a previously granted proxy. If you hold your shares through a broker or other custodian and would like to change your voting instructions, please review the directions provided to you by that broker or custodian.

May I vote confidentially?

Yes. Our policy is to keep your individual votes confidential, except as appropriate to meet legal requirements, to allow for the tabulation and certification of votes, or to facilitate proxy solicitation.

Who will count the votes?

A representative of Broadridge Financial Solutions, Inc. will count the votes and act as the inspector of election for the Annual Meeting.

What happens if additional matters are presented at the Annual Meeting?

As of the date of this proxy statement, the Board knows of no matters other than those set forth herein that will be presented for determination at the Annual Meeting. If, however, any other matters properly come before the Annual Meeting and call for a vote of shareholders, the Board intends proxies to be voted in accordance with the judgment of the proxy holders.

Where can I find the voting results of the Annual Meeting?

We intend to announce preliminary voting results at the Annual Meeting and publish final results in our current report on Form 8-K within four business days after the Annual Meeting.

What is householding of the Annual Meeting materials?

The Securities and Exchange Commission (the "SEC") has adopted rules that permit companies and intermediaries, such as brokers, to satisfy delivery requirements for proxy statements with respect to two or more shareholders sharing the same address by delivering a single proxy statement to those shareholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for shareholders and cost savings for companies. The Company and some brokers "household" proxy materials, delivering a single proxy statement and annual report to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report, or if you are receiving multiple copies of the proxy statement and annual report and wish to receive only one, please notify your broker if your shares are held in a brokerage account, or the Company if you hold shares registered directly in your name. You can notify the Company by sending a written request to Mr. Wu at the Company's address set forth in the Notice of the Annual Meeting or by calling us at (678) 791-1000.

How may I obtain a copy of the Company's Annual Report?

A copy of our fiscal 2013 Annual Report accompanies this proxy statement and is available at <http://www.carters.com/annuals>. Shareholders may also obtain a free copy of our Annual Report by sending a request

in writing to Mr. Wu at the Company's address set forth in the Notice of the Annual Meeting.

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When are shareholder proposals due for consideration in next year's proxy statement or at next year's Annual Meeting?

Any proposals to be considered for inclusion in next year's proxy statement must be submitted in writing to Mr. Wu at the Company's address set forth in the Notice of the Annual Meeting, and must be received prior to the close of business on December 17, 2014. There are additional requirements under our by-laws and the proxy rules to present a proposal, including continuing to own a minimum number of shares of our stock until next year's Annual Meeting and appearing in person at the Annual Meeting to explain your proposal. Shareholders who wish to make a proposal to be considered at next year's Annual Meeting, other than proposals to be considered for inclusion in next year's proxy statement, must notify the Company in the same manner specified above no earlier than January 14, 2015 and no later than February 13, 2015.

Who can help answer my questions?

If you have any questions about the Annual Meeting or how to submit or revoke your proxy, or to request an invitation to the Annual Meeting, contact Mr. Wu at the Company's address set forth in the Notice of the Annual Meeting or by calling us at (678) 791-1000.

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BOARD OF DIRECTORS AND CORPORATE GOVERNANCE INFORMATION

Board of Directors

The Board believes that each director, including the nominees for election as Class II directors (Proposal Number One), has valuable skills and experiences that, taken together, provide the Company with the variety and depth of knowledge, judgment, and strategic vision necessary to provide effective oversight of the Company's business operations. Our directors have extensive experience in different fields, including apparel and retail (Ms. Castagna and Messrs. Casey, Eagle, Fulton, Pulver, Welch, and Whiddon); brand marketing (Ms. Brinkley, Ms. Castagna, and Messrs. Cleverly and Eagle); logistics and technology (Mr. Whiddon); global sourcing (Messrs. Eagle and Welch); and finance and accounting (Ms. Brinkley and Messrs. Casey, Montgoris, Pulver, and Whiddon).

The Board also believes that, as indicated in the following biographies, each director has demonstrated significant leadership as chief executive officers (Ms. Castagna and Messrs. Casey, Eagle, and Pulver), division presidents (Ms. Brinkley and Messrs. Cleverly, Fulton, and Welch), and other senior executive officers (Messrs. Montgoris and Whiddon). In addition, many of our directors have significant experience in the oversight of public companies due to their services as directors of Carter's and other companies.

Amy Woods Brinkley became a director in February 2010. Ms. Brinkley is the Manager and Owner of AWB Consulting, LLC, which provides executive advising and risk management consulting services. Ms. Brinkley retired from Bank of America Corporation in 2009 after spending more than 30 years with the company. Ms. Brinkley served as its Chief Risk Officer from 2002 through mid-2009. Prior to 2002, Ms. Brinkley served as President of the company's Consumer Products division and was responsible for the credit card, mortgage, consumer finance, telephone, and eCommerce businesses. Before that, Ms. Brinkley held positions of Executive Vice President and Chief Marketing Officer overseeing the company's Olympic sponsorship and its national rebranding and name change. Ms. Brinkley is currently a director of TD Bank Group and the Bank of America Charitable Foundation. She also serves as a trustee for the Princeton Theological Seminary and on the board of commissioners for the Carolinas Healthcare System.

Michael D. Casey became a director in August 2008 and was named Chairman of the Board of Directors in August 2009. Mr. Casey joined the Company in 1993 as Vice President of Finance. Mr. Casey was named Senior Vice President of Finance in 1997, Senior Vice President and Chief Financial Officer in 1998, Executive Vice President and Chief Financial Officer in 2003, and Chief Executive Officer in 2008. Prior to joining the Company, Mr. Casey worked for Price Waterhouse LLP, a predecessor firm to PricewaterhouseCoopers LLP, from 1982 to 1993.

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Vanessa J. Castagna became a director in November 2009. Ms. Castagna served as Executive Chairwoman of Mervyns, LLC from 2005 until early 2007. Ms. Castagna previously served as Chairwoman and Chief Executive Officer of JCPenney Stores, Catalog and Internet for J.C. Penney Company, Inc. from 2002 through 2004. While at JCPenney, Ms. Castagna also served as its Chief Operating Officer from 1990 to 2002. Prior to that, Ms. Castagna held various senior-level merchandising positions at Target, Walmart, and Marshall's. Ms. Castagna is currently a director of Levi Strauss & Co. and serves on the board of trustees of Purdue University.

A. Bruce Cleverly became a director in March 2008. Mr. Cleverly retired as President of Global Oral Care from Procter & Gamble Company/The Gillette Company in September 2007, a position he held since 2005. Mr. Cleverly joined The Gillette Company in 1975 as a Marketing Assistant and held positions of increasing responsibility in brand management and general management in the United States, Canada, and the United Kingdom. In 2001, Mr. Cleverly became President of Gillette's worldwide Oral Care business. In October 2005, Mr. Cleverly became President of The Procter & Gamble Company's Global Oral Care division. Mr. Cleverly is a director of Rain Bird Corporation, Shaser BioScience, Inc., and WaterPik, Inc.

Jevin S. Eagle became a director in July 2010. Mr. Eagle is the Chief Executive Officer and director of DavidsTea Inc., a specialty tea retailer in the U.S. and Canada, which he joined in April 2012. Mr. Eagle previously held several senior leadership positions at Staples, Inc. from 2002 to 2012, serving most recently as Executive Vice President, Merchandising and Marketing. Prior to joining Staples, Mr. Eagle worked for McKinsey & Company, Inc. from 1994 to 2001 where he was a partner in the firm's retail practice.

Paul Fulton became a director in May 2002. Mr. Fulton retired as President of Sara Lee Corporation in 1993 after spending 34 years with the company. He is currently non-executive chairman of the board of directors of Bassett Furniture Industries, Inc. and a director of Premier Commercial Bank. Mr. Fulton was previously a director of Bank of America Corporation, where he served from 1993 to 2007; Lowe's Companies, Inc., where he served from 1996 to 2007; and Sonoco Products Company, Inc., where he served from 1989 to 2005.

William J. Montgoris became a director in August 2007. Mr. Montgoris retired as Chief Operating Officer of The Bear Stearns Companies, Inc. in 1999, a position he held since August 1993, after spending 20 years with the company. While at Bear Stearns, Mr. Montgoris also served as the company's Chief Financial Officer from April 1987 until October 1996. Mr. Montgoris currently serves as the non-executive chairman of the board of directors of Stage Stores, Inc. Mr. Montgoris is also on the board of trustees of Colby College. Mr. Montgoris was previously a director of OfficeMax Incorporated, where he served from July 2007 to November 2013.

David Pulver became a director in January 2002. Mr. Pulver has been a private investor for more than 25 years and is the President of Cornerstone Capital, Inc. Mr. Pulver was previously a director of Hearst-Argyle Television, Inc., where he served from 1997 through 2009 and Costco Wholesale Corporation, where he served from 1983 through 1993. Mr. Pulver currently serves as a trustee of Colby College and as a director of the Bladder Cancer Advocacy Network (BCAN). Mr. Pulver was a founder of The Children's Place, Inc. and served as its Chairman and Co-Chief Executive Officer until 1982.

John R. Welch became a director in February 2003. Mr. Welch retired as President of Mast Industries (Far East) Ltd., a leading global sourcing company, in April 2002 after spending 18 years with the company. Mr. Welch also served as Executive Vice President of Operations at Warnaco Knitwear, a division of Warnaco, Inc. from August 1978 to December 1983. Mr. Welch is currently a director of Brandot International Ltd.

Thomas E. Whiddon became a director in August 2003. Mr. Whiddon retired as Executive Vice President-Logistics and Technology of Lowe's Companies, Inc. in March 2003, a position he held since 2000. From 1996 to 2000,

Mr. Whiddon served as Lowe's Chief Financial Officer. Since his retirement, Mr. Whiddon has worked as a consultant, serving various companies in executive capacities on an interim basis. Mr. Whiddon is currently a director of Sonoco Products Company, Inc., Dollar Tree Stores, Inc., and BayCare Health System.

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Board Leadership Structure

The Company's Corporate Governance Principles provide that positions of Chairman of the Board of Directors and Chief Executive Officer may be combined if the non-management directors determine it is in the best interest of the Company. In August 2009, the non-management directors appointed Mr. Casey, who was the then-current Chief Executive Officer and a sitting Board member, as Chairman. The Board believes it is appropriate to continue to combine the positions of the Chairman and Chief Executive Officer. Mr. Casey has over 20 years of management, finance, and administrative leadership experience at the Company. In addition, Mr. Casey has extensive knowledge of, and experience with, all other aspects of the Company's business, including with its employees, customers, vendors, and shareholders. Having Mr. Casey serve as both Chairman and Chief Executive Officer helps promote unified leadership and direction for both the Board and management.

In connection with Mr. Casey's appointment as Chairman, the non-management directors also created the position of Lead Independent Director (Lead Director) and appointed Mr. Whiddon to serve in that role. The non-management directors created the Lead Director position to, among other things, ensure that the non-management directors maintain proper oversight of management and Board process. The responsibilities of the Lead Director include:

 serving as an advisor to the Chief Executive Officer on Board, executive management, and other significant matters;

 serving, as necessary, as a liaison between non-management directors and the Chief Executive Officer;

 providing annual Board assessment and other feedback to the Chief Executive Officer;

 advising the Chief Executive Officer 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 Board meetings in the absence of the Chairman; and

 after consultation with the Chief Executive Officer, communicating with major shareholders or other interested parties, as appropriate.

Risk Oversight

The Company's management is responsible for identifying, assessing, managing, and mitigating the Company's strategic, financial, operational and compliance risks. The Board is responsible for overseeing risk management at the Company and management's efforts in these areas. The Board exercises direct oversight of strategic risks to the

Company and other risk areas not delegated to one of its committees. The Board's Audit Committee is responsible for overseeing the processes, procedures and capabilities of the Company's enterprise risk management program, risks related to financial statements, financial reporting, and internal controls, as well as compliance with legal and regulatory requirements. The Compensation Committee oversees risks associated with the Company's compensation policies and practices with respect to both executive compensation and compensation generally, as well as compliance with legal and regulatory requirements as they relate to compensation. The Compensation Committee reviewed the Company's compensation policies and practices with management to confirm that there are no risks arising from such compensation policies and practices that are reasonably likely to have a material adverse effect on the Company. The Nominating and Corporate Governance Committee is responsible for overseeing compliance with legal and regulatory requirements as such requirements relate to corporate governance, and for overseeing risks related to the Company's social compliance program. The Board and its Committees receive updates from senior management on relevant risks and management efforts in these areas at its Board and Committee meetings at least annually and more frequently, as appropriate.

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Board Meetings

Our Corporate Governance Principles require Carter s to have at least four regularly scheduled Board meetings each year, and each director is expected to attend each meeting. The Board met five times during fiscal 2013. In fiscal 2013, no director participated in less than 75% of the aggregate number of all of the Board and applicable committee meetings. Although the Company does not have a policy regarding director attendance at Annual Meetings, all directors, with the exception of Ms. Castagna, attended the Company s Annual Meeting in fiscal 2013.

Executive Sessions

Executive sessions of non-management directors are held at least four times a year. Any non-management director can request that an additional executive session be scheduled. The Board s Lead Director presides at the executive sessions of non-management directors.

Board Committees

Our Board has the following standing committees: Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee. The Board may also establish other committees to assist in the discharge of its responsibilities.

Audit Committee

The members of our Audit Committee are Ms. Brinkley and Messrs. Montgoris, Pulver, and Whiddon. Mr. Pulver serves as Chairman of the Audit Committee. During fiscal 2013, the Audit Committee held nine meetings. The Audit Committee is responsible for, among other things:

oversight of quality and integrity of, and risks related to, the consolidated financial statements, including the accounting, auditing, and financial reporting practices of the Company;

oversight of the Company s internal control over financial reporting;

oversight of the Company s audit process;

oversight of the processes, procedures and capabilities of the Company s enterprise risk management program;

appointment 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.

The Audit Committee operates pursuant to a written charter that addresses the requirements of the New York Stock Exchange's (NYSE) listing standards. The charter is available in the Investor Relations section of our website at www.carters.com or in print by contacting Mr. Wu at the Company's address set forth in the Notice of the Annual Meeting. The Board has determined that each member of the Audit Committee is independent and meets the financial literacy requirements set forth in the NYSE's listing standards. The Board has also determined that each of Messrs. Montgoris, Pulver, and Whiddon is an audit committee financial expert as defined under the SEC rules.

The Audit Committee Report is included in this proxy statement on page 40.

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Compensation Committee

The members of our Compensation Committee are Messrs. Cleverly, Eagle, Fulton, and Welch. Mr. Fulton serves as Chairman of the committee. During fiscal 2013, the Compensation Committee held four meetings. The Compensation Committee is responsible for, among other things:

establishing the Company's philosophy, policies and strategy relative to executive compensation, including the mix of base salary, 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, market benchmarks, and other factors;

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 proxy statement, as applicable.

This year's Compensation Committee Report is included in this proxy statement on page 29.

The Compensation Committee operates pursuant to a written charter that addresses the requirements of the NYSE's listing standards. The charter is available in the Investor Relations section of our website at www.carters.com or in print by contacting Mr. Wu at the Company's address set forth in the Notice of the Annual Meeting. The Board has determined that each member of the Compensation Committee is independent as defined in the NYSE's listing standards.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee serving during fiscal 2013 has been an officer or other employee of the Company. None of our executive officers has served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board.

Nominating and Corporate Governance Committee

The members of our Nominating and Corporate Governance Committee are Ms. Castagna and Messrs. Cleverly, Welch, and Whiddon. Mr. Welch serves as Chairman of the committee. During fiscal 2013, the Nominating and Corporate Governance Committee held four meetings. The Nominating and Corporate Governance Committee is responsible for, among other things:

identifying and recommending candidates qualified to become Board members;

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recommending directors for appointment to Board Committees; and

developing and recommending to the Board a set of corporate governance principles and monitoring the Company's compliance with and effectiveness of such principles.

The Nominating and Corporate Governance Committee operates pursuant to a written charter that addresses the requirements of the NYSE's listing standards. The charter is available in the Investor Relations section of our website at www.carters.com or in print by contacting Mr. Wu at the Company's address set forth in the Notice of the Annual Meeting. The Board has determined that each member of the Nominating and Corporate Governance Committee is independent as defined in the NYSE's listing standards.

Consideration of Director Nominees

The Nominating and Corporate Governance Committee regularly assesses the appropriateness of the size of the Board of Directors. In the event that vacancies occur or are anticipated, the Committee will consider prospective nominees that come to its attention through current Board members, search firms or certain shareholders. The Board believes that it is appropriate to limit the group of shareholders who can propose nominees due to time constraints on the Nominating and Corporate Governance Committee. The Committee will consider persons recommended by shareholders who hold more than 1% of our common stock for inclusion as nominees for election to the Board if the names of such persons are submitted to Mr. Wu at the Company's address set forth in the Notice of the Annual Meeting. This submission must be made in writing and in accordance with our by-laws, including mailing the submission in a timely manner, share ownership at the time of the Annual Meeting, and including the nominee's name, address, and qualifications for Board membership.

When evaluating a potential candidate for membership on the Board, the Committee considers each candidate's skills and experience and assesses the needs of the Board and its committees at that point in time. Although the Committee does not have a formal policy on diversity, it believes that diversity is an important factor in determining the composition of the Board, and seeks to have Board members with diverse backgrounds, experiences, and points of view. In connection with its assessment of all prospective nominees, the Committee will determine whether to interview such prospective nominees, and if warranted, one or more members of the Committee, and others as appropriate, will interview such prospective nominees in person or by telephone. Once this evaluation is completed, if warranted, the Committee selects the nominees for election at the Annual Meeting.

Shareholder Communication with Directors

A shareholder or other interested party may submit a written communication to the Board, the Lead Director or individual non-management directors. The submission must be delivered to Mr. Wu at the Company's address set forth in the Notice of the Annual Meeting.

The Board, the Lead Director, or non-management directors may require the submitting shareholder to furnish such information as may be reasonably required or deemed necessary to sufficiently review and consider the submission of such shareholder.

Each submission will be forwarded, without editing or alteration, to the Board, the Lead Director or non-management directors, as appropriate, at, or prior to, the next scheduled meeting of the Board. The Board, the Lead Director or non-management directors, as appropriate, will determine, in their sole discretion, the method by which such submission will be reviewed and considered.

Corporate Governance Principles and Code of Ethics

The Company is committed to conducting its business with the highest level of integrity and maintaining the highest standards of corporate governance. Our Corporate Governance Principles and Code of Ethics provide the structure within which our Board and management operate the Company. The Company's Code of Ethics applies to all directors and Company employees, including the Company's executive officers. Our Corporate Governance

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Principles and Code of Ethics are available in the Investor Relations section of our website at www.carters.com or in print by contacting Mr. Wu at the Company's address set forth in the Notice of the Annual Meeting.

Director Independence

The NYSE listing standards and the Company's Corporate Governance Principles require a majority of the Company's directors to be independent from the Company and the Company's management. For a director to be considered independent, the Board must determine that the director has no direct or indirect material relationship with the Company. The Board considers all relevant information provided by each director regarding any relationships each director may have with the Company or management. As a result of this review, our Board has determined that all of our non-management directors are independent and meet the independence requirements under the listing standards of the NYSE and rules and regulations of the SEC.

Table of Contents**PROPOSAL NUMBER ONE****ELECTION OF CLASS II DIRECTORS**

The Board proposes that the four Class II director nominees be re-elected to the Board to serve until the Annual Meeting in 2017, or until his or her earlier resignation, death, or removal. In addition to the four Class II nominees, the Company's current Class I and Class III directors are listed below. Each nominee currently serves as a Class II director.

Class II Nominees Terms Expiring at the Annual Meeting

Name	Age
Amy Woods Brinkley	58
Michael D. Casey	53
A. Bruce Cleverly	68
Jevin S. Eagle	47

The individuals who will continue to serve as Class I and Class III directors after the Annual Meeting are:

Class III Directors Terms Expiring at the Annual Meeting in 2015

Name	Age
Paul Fulton	79
John R. Welch	82
Thomas E. Whiddon	61

Class I Directors Terms Expiring at the Annual Meeting in 2016

Name	Age
Vanessa J. Castagna	64
William J. Montgoris	67
David Pulver	72

The Board recommends a vote FOR the election of Amy Woods Brinkley, Michael D. Casey, A. Bruce Cleverly, and Jevin S. Eagle as Class II directors.

Vote Required

Pursuant to our by-laws and our Corporate Governance Principles, the nominees who receive a majority of the votes cast at the Annual Meeting will be elected as Class II directors. This means that the number of votes cast for a director nominee must exceed the number of votes cast against that nominee and votes to abstain.

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with respect to that nominee. Abstentions and broker non-votes will be counted towards a quorum, and abstentions will have the practical effect of a vote against a director nominee. Any nominee who does not receive a majority of votes cast for his or her election is required to tender his or her resignation. The Nominating and Corporate Governance Committee is then required to make a recommendation to the Board as to whether it should accept or reject such resignation. The Board, taking into account such recommendation, will decide whether to accept such resignation. The Board's decision will be publicly disclosed within ninety (90) days after the results of the election are certified. A director whose resignation is under consideration shall abstain from participating in any recommendation or decision regarding his or her resignation. If the resignation is not accepted, the director will continue to serve until the next Annual Meeting of Shareholders at which such director faces re-election and until such director's successor is elected and qualified.

Table of Contents**COMPENSATION OF DIRECTORS**

Each of our non-management directors receives an annual retainer, meeting fees, and an annual equity grant. Each of our committee chairmen and our Lead Director receives an additional retainer. With respect to each director who served on the Board in fiscal 2013, each such director's annual retainer was comprised of a \$55,000 cash payment and a standard fully-vested grant of our common stock valued at approximately \$120,000. Each director received meeting fees of \$2,500 for each regularly scheduled Board meeting, \$1,000 for each special Board meeting, and \$1,000 for each regularly scheduled or special meeting of our standing Board committees.

In fiscal 2013, the chairman of our Audit Committee and our Lead Director each received \$20,000 cash retainers, and the chairmen of our Compensation and Nominating and Corporate Governance Committees each received \$15,000 cash retainers.

We reimburse directors for travel expenses incurred in connection with attending Board and committee meetings and for other expenses incurred while conducting Company business. Mr. Casey receives no additional compensation for serving on the Board. There are no family relationships among any of the directors or our executive officers and none of our non-management directors performed any services for the Company other than services as directors.

The following table provides information concerning the compensation of our non-management directors for fiscal 2013.

FISCAL 2013 DIRECTOR COMPENSATION TABLE

Name	Fees Earned or Paid in Cash (a)	Stock Awards (\$) (b)	Total (\$)
Amy Woods Brinkley	\$ 78,000	\$ 120,022	\$ 198,022
Vanessa J. Castagna	\$ 66,500	\$ 120,022	\$ 186,522
A. Bruce Cleverly	\$ 74,000	\$ 120,022	\$ 194,022
Jevin S. Eagle	\$ 69,000	\$ 120,022	\$ 189,022
Paul Fulton	\$ 85,000	\$ 120,022	\$ 205,022
William J. Montgoris	\$ 74,500	\$ 120,022	\$ 194,522
David Pulver	\$ 96,000	\$ 120,022	\$ 216,022
John R. Welch	\$ 89,000	\$ 120,022	\$ 209,022
Thomas E. Whiddon	\$ 102,000	\$ 120,022	\$ 222,022

(a) This column reports the amount of cash compensation earned in fiscal 2013 through annual cash retainers and meeting fees.

(b) We issued 1,797 shares of common stock to each non-management director with a grant date fair value of \$66.79 per share. As of March 25, 2014, none of our non-management directors held any outstanding equity awards. For complete beneficial ownership information of our common stock for each director, see heading Securities Ownership of Beneficial Owners, Directors, and Executive Officers on page 37.

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Utilizing data on non-management director compensation from the Company's peer group, as well as considering general industry trends presented by Hay Group, an independent compensation consultant, the Compensation Committee determined not to increase non-management director compensation for fiscal 2013.

Under the Company's minimum ownership guidelines, no director may sell Company stock (other than to cover the tax obligations resulting from the vesting of Company restricted stock or from exercising vested stock options) unless he or she owns shares of Company stock with a total market value in excess of five (5) times his or her annual cash retainer, or \$275,000, by the end of his or her second term of service on the Board. Each of our directors complied with these ownership guidelines in fiscal 2013.

Table of Contents**EXECUTIVE OFFICERS BIOGRAPHICAL INFORMATION AND EXPERIENCE**

The following table sets forth the name, age, and position of each of our executive officers as of the date of this proxy statement.

Name	Age	Position
Michael D. Casey	53	Chairman of the Board of Directors and Chief Executive Officer
Brian J. Lynch	51	President
Kevin D. Corning	51	Executive Vice President, International
Lisa C. Evans	59	Executive Vice President and Brand Leader for <i>Carter's</i>
William G. Foglesong	44	Senior Vice President of Marketing
Christopher W. Rork	47	Executive Vice President of Supply Chain
Richard F. Westenberger	45	Executive Vice President, Chief Financial Officer
Jeffrey B. Williams	40	Senior Vice President of Retail
Jill A. Wilson	47	Senior Vice President of Human Resources and Talent Development
Michael C. Wu	47	Senior Vice President of Legal and Corporate Affairs, General Counsel and Secretary

Michael D. Casey joined the Company in 1993 as Vice President of Finance. Mr. Casey was named Senior Vice President of Finance in 1997, Senior Vice President and Chief Financial Officer in 1998, Executive Vice President and Chief Financial Officer in 2003, and Chief Executive Officer in 2008. Mr. Casey became a director in 2008 and was named Chairman of the Board of Directors in 2009. Prior to joining the Company, Mr. Casey worked for Price Waterhouse LLP, a predecessor firm to PricewaterhouseCoopers LLP, from 1982 to 1993.

Brian J. Lynch joined the Company in 2005 as Vice President of Merchandising. Mr. Lynch was promoted to Senior Vice President in 2008. In 2009, Mr. Lynch was promoted to Executive Vice President and Brand Leader for *Carter's*. In 2012, Mr. Lynch was promoted to President. Prior to joining the Company, Mr. Lynch was with The Walt Disney Company in various merchandising, brand management, and strategy roles in the Disney Parks & Resorts division. Prior to Disney, Mr. Lynch worked for Champion Products, a division of Hanesbrands Inc.

Kevin D. Corning joined the Company in 2012 as Executive Vice President, International. From 2008 to 2012, Mr. Corning served as a General Manager in the Luxury &