

A close-up photograph of a smiling baby with dark hair, wearing a denim romper, sitting on a light-colored blanket outdoors. The baby is holding a yellow toy carrot. The background is a soft-focus view of tall grass and sunlight.

carter's®

2020 Corporate Social
Responsibility Report

Table of Contents



About This Report

This is Carter's, Inc.'s first report about corporate social responsibility (CSR) and generally covers our efforts during fiscal 2020. Some initiatives that were launched prior to fiscal 2020 and during fiscal 2021 are included in order to provide the most relevant information to stakeholders. References to 2020, 2019, and 2018 are to calendar years, and references to fiscal 2020, fiscal 2019, and fiscal 2018 are to our financial fiscal years. Data are as of the date or for the period indicated. Fiscal 2020 (which ended on January 2, 2021) had 53 weeks, and fiscal 2019 (which ended on December 28, 2019) and fiscal 2018 (which ended on December 29, 2018) each had 52 weeks.

This report contains forward-looking statements within the meaning of the federal securities laws, including statements with respect to our goals, commitments and programs. Such statements are based on current expectations only, and are subject to certain risks, uncertainties, and assumptions, including those described in the our most recently filed Annual Report on Form 10-K and other reports filed with the Securities

and Exchange Commission from time to time under the headings "Risk Factors." Also, due to the developing nature of our initiatives, statements here may be based on estimates and approximate data.

The report has been prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option. It focuses primarily on operations under our direct control, but also includes discussions and data relating to operations outside of our direct control, as indicated. The disclosures included can be found in the [GRI Index](#). We intend to publish a CSR report annually.

"Carter's" refers to Carter's, Inc. and its subsidiaries. Our trademarks and copyrights referred to in this report, including *Carter's*, *OshKosh*, *OshKosh B'gosh*, *Skip Hop*, *Child of Mine*, *Just One You*, *Simple Joys*, and *Little Planet*, many of which are registered in the United States and in over 100 other countries and territories, are each the property of one or more subsidiaries of Carter's, Inc.

A Message to Our Stakeholders



Michael D. Casey
*Chairman &
Chief Executive Officer*

On behalf of our more than 18,000 employees worldwide, I am pleased to share Carter's inaugural Corporate Social Responsibility report.

For many generations, Carter's has served the needs of families with young children. This report details our focus on future generations through our sustainable and innovative practices that will strengthen our Company, and support families who rely on us to be best in class in young children's apparel.

2020 was a year like no other. I am thankful for Carter's employees who demonstrated extraordinary resilience helping their families and our Company through the pandemic. Together, they helped us respond to unprecedented challenges and fulfill our responsibilities to our many stakeholders.

Our response to the COVID-19 pandemic was swift and successful. In the U.S., we temporarily suspended store operations in the early stages of the pandemic and focused on serving consumers through our eCommerce capabilities. We also took measures to help ensure the health and safety of our global workforce.

Much of our workforce shifted to remote working arrangements and, as restrictions eased over the course of the year, we instituted measures to protect our employees and safely welcome consumers back into our stores.

While much of our business has returned to full operations, we recognize that the risks related to COVID-19 continue, and we will remain vigilant.

The pandemic was not the only issue in the last year that required our attention. We were troubled by the racial injustice that continued to occur in 2020. Carter's has zero tolerance for discrimination of any kind, and the events of this past year made it clear that there was more we could do.

During the year, we improved our diversity and inclusion efforts and encouraged our employees to make their voices heard. We also supported the Georgia Hate Crimes bill to make clear our position against intolerance.

In 2020, we strengthened our responsible sourcing efforts to address social challenges across our global supply chain. We were especially concerned about reports of forced labor in China's Xinjiang Uyghur Autonomous

“ These initiatives represent meaningful market opportunities that can help support our growth objectives. ”

Region (XUAR). Carter’s does not source products from the XUAR, and we are steadfast in opposing forced labor and any working conditions that fail to meet our high standards outlined in our [Corporate Social Responsibility Policy](#).

To further ensure the integrity of our global supply chain, we have launched a cotton traceability initiative to improve visibility into our chain of custody, from the textile mill to our customers.

We joined influential organizations, such as the Sustainable Apparel Coalition, to amplify our focus on the environment. We also strengthened our leadership and governance on these matters, engaging our Board of Directors

more deeply, and promoting and appointing our Senior Vice President of Corporate Social Responsibility, Antonio Robinson, to Carter’s Leadership Team.

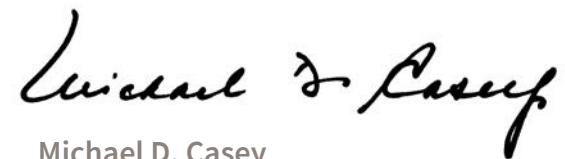
We set qualitative and quantitative targets across key environmental and social issues, including, among others:

- Reducing our greenhouse gas (GHG) emissions at least 25% by 2030 and developing a science-based target.
- Sourcing 100% sustainable cotton and polyester by 2030.
- Improving the well-being of at least 10 million families and at least 1 million workers within our global value chain by 2030.

In future communications, we intend to provide more detail about these commitments and our progress towards them. These initiatives are aligned with our responsible culture of supporting the interests of families with young children and communities we serve. These initiatives also represent meaningful market opportunities that can help support our growth objectives. For example, we’re encouraged by the strong consumer response to our *Little Planet* apparel brand. *Little Planet* includes mostly organic cotton, certified by Global Organic Textile Standard (GOTS), a leading global textile processing standard for organic fibers. This is only the beginning of what we believe is possible as we provide families with sustainable and affordable apparel.

Our employees across the world rose to the challenges this past year with courage, selflessness, and perseverance. We believe the days ahead will be brighter, and that our efforts today are the beginning of a new phase in Carter’s long and rich heritage of providing the best value and experience in young children’s apparel.

Sincerely,



Michael D. Casey
Chairman & Chief Executive Officer



Carter's Is Committed to a Sustainable World

Our mission is to serve the needs of all families with young children. We are the largest branded marketer in North America of apparel exclusively for babies and young children.

We own two of the most highly recognized and trusted brand names in children's apparel, *Carter's* and *OshKosh B'gosh*; a leading baby and young child lifestyle brand, *Skip Hop*; and a brand that focuses on sustainable clothing, *Little Planet*. We also have three exclusive *Carter's* brands: our *Child of Mine* brand, which we sell at Walmart, our *Just One You* brand, which we sell at Target, and our *Simple Joys* brand, which we sell on Amazon.

Our multi-channel, global business model, which includes retail stores, eCommerce, and wholesale sales channels, as well as omni-channel capabilities in the United States and Canada, enables us to reach a broad range of consumers around the world. We are listed on the New York Stock Exchange as "CRI."

At A Glance	Fiscal 2020	Fiscal 2019	Fiscal 2018
Approximate Total Employees*	18,000	20,300	21,000
Consolidated Net Sales	\$3.02 billion	\$3.52 billion	\$3.46 billion

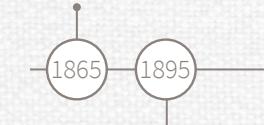
*As of end of fiscal year.

For more information on our financial results, please see our [2020 Annual Report](#).

Our Family of Brands

We are proud to have served many generations of families with young children with our brands. For more information, visit [Our Brands](#).

carter's



**just
one
you**
made by
carter's

**child
of mine**
made by
carter's

OSHKO SH
B'gosh

SKIP*HOP
simple joys
by carter's

little planet
by carter's

Our Global Value Chain

We define our value chain to include the people and businesses involved in making and transporting our products, as well as our customers and the communities where we operate.

We do not own any raw materials or manufacturing facilities. We source all of our garments and other products from a global network of third-party suppliers, which in fiscal 2020 were primarily located in Asia, with the

remainder primarily in Central America. During fiscal 2020, approximately 76 percent of our products were sourced from Cambodia, Vietnam, China, and Bangladesh.

Our sourcing operations are based in Hong Kong in order to facilitate better service and manage the volume of manufacturing in Asia. We also have sourcing operations in Cambodia, Vietnam, China, and Bangladesh to help support these efforts.

~1,100
North America
retail stores*

~18,000
employees
worldwide*

~19,800
North America
wholesale locations*

90+
countries in which our
wholesale customers and
licensees operate*

*As of the end of fiscal 2020

Primary Offices

Atlanta

Corporate Headquarters

Hong Kong

Primary base
of sourcing operations



■ Direct-to-consumer operations
■ Sourcing operations

Our Culture of Integrity

We believe that to succeed as a business and to positively impact families and our communities, we must first create and maintain a diverse, inclusive, and supportive workplace that fosters high employee engagement

Our Values

Our values define who we are. We ask every employee to guide their decisions, including the treatment of others, by our five core values:

- Act with Integrity
- Inspire Innovation
- Exceed Expectations
- Succeed Together
- Invest in People

Code of Ethics

Our [Code of Ethics](#) (Code) sets forth how we conduct our business, which is in a manner that is consistent with our values, our policies, and the law, and guides our decision making and actions that affect our stakeholders. Our Code outlines employee expectations and provides guidance on how to identify and resolve ethical concerns, and whom to contact when questions arise.

Ethics and integrity also form the foundation of our relationships with suppliers. We require our Tier 1 suppliers, which manufacture our products, to adhere to the high ethical standards outlined in our [Vendor Code of Ethics](#). They must create and maintain a fair and safe workplace for workers and comply with all applicable legal and regulatory standards.



Recent Recognitions



ESG Governance

Our Board of Directors provides oversight of management and our business. Our Board has determined that all Board members are independent, other than Michael Casey, our Chairman and CEO.

The Board's Nominating and Corporate Governance Committee provides oversight of the Company's environmental, social, and related governance (ESG) initiatives through

quarterly or more frequent reviews of progress. These reviews include assessments of ongoing efforts related to climate change, global supply chain compliance, diversity and inclusion (D&I), and product sustainability, among other issues.

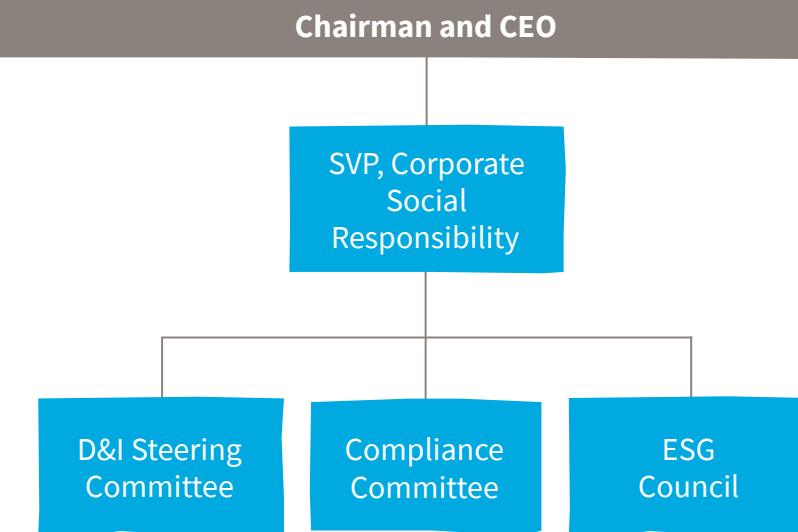
Our Senior Vice President, Corporate Social Responsibility, who reports directly to our Chairman and CEO, has responsibility for the Company's ESG, D&I, and compliance initiatives.

These initiatives are supported by other leaders through our cross-functional Diversity and Inclusion Steering Committee, Compliance Committee, and ESG Council. These bodies include employees from across our business, including from the Finance, Human Resources, Legal, Marketing, Merchandising, Retail, and Supply Chain teams.

In 2020, we developed a sustainability

strategic plan that reflects, in part, the goals and initiatives disclosed in this report. The Corporate Social Responsibility team is responsible for the execution of our strategies, and the ESG Council meets quarterly to review progress. Because the SVP of CSR serves on the Company's Leadership Team, other executives receive regular information and updates.

Board of Directors Nominating and Corporate Governance Committee (ESG oversight)



Q&A with Antonio Robinson, SVP of Corporate Social Responsibility

How does your role build on the work Carter's has done over the years?

We have been addressing aspects of sustainability for years, but we saw an opportunity to create a more integrated approach to accelerate progress.

In my prior role, I served as the Company's Deputy General Counsel and Chief Compliance Officer. Because of our innovative culture, I established the Company's Diversity and Inclusion Steering Committee to develop a formal strategy for D&I as it relates to employees, customers, and our communities. From there, it became an appropriate step for me to lead our strategy for all ESG matters in addition to D&I and compliance.

What value does ESG create for Carter's?

In addition to generating value for shareholders, our purpose extends to creating value for employees, consumers, workers in our global supply chain, and the communities where we operate. ESG helps us look at opportunities to drive innovation and operational efficiency across the entire product life cycle while

enhancing our social and environmental impact. From how we source inventory to how we engage consumer segments with sustainable offerings, our business strategy is increasingly aligned with ESG benefits and coordinated across every functional area.

How do you define "Diversity" and "Inclusion" and put them into action?

We recognize that diversity includes the different backgrounds, biographies, experiences, and perspectives that we all bring to work. We strive to embrace those differences, which we believe make us more inclusive and effective. These efforts are not limited to our workplace, but include our consumers and communities. For example, we want all families to feel welcomed when shopping for our products.

Over the years we have provided monetary and product donations to organizations focused on a variety of childhood needs, but we more recently decided to concentrate our community efforts on early childhood education. We believe that this focus can help ensure that all kids, from every neighborhood, have a fair shot to succeed in life.

Similarly, we also want to help workers across our global supply chain to succeed economically. We will especially be seeking to support women in our global value chain, because we believe studies show that empowering women economically can help a community thrive. We intend to partner with international organizations for this work.

What is most meaningful to you personally about your role and work?

My role allows me to have an imprint on our culture and the strategic direction of the Company. As I share our strategy with our employees, I am proud and excited to experience their enthusiasm about our sustainability and D&I efforts, and to see how they're living our values.

Looking ahead, what are some of Carter's greatest ESG opportunities?

We are in the early stages of our journey, but are encouraged by the progress to date. Our focus on transitioning to sustainable cotton and polyester by 2030 is especially meaningful to us. We intend to achieve this through a



Antonio Robinson

*Senior Vice President,
Corporate Social Responsibility*

combination of recycled, certified, and organic fibers. We are committed to using more sustainable materials and packaging to reduce our greenhouse gas emissions and our waste to landfills. We are also exploring ways to promote more efficient water use in the manufacturing of our products.

As we make progress, we believe it will be important to educate and bring our stakeholders with us on our journey, as preserving the planet for future generations is a shared responsibility.

Responding to COVID-19

Keeping Our Employees Safe

Last year we confronted challenges that tested our resilience as a business and as individuals.

Starting in March 2020, shortly after the COVID-19 pandemic struck, we took swift action to protect our employees and customers while ensuring business continuity. We shifted more than 1,500 global office employees to remote working arrangements and temporarily suspended retail operations.

Despite the many uncertainties in the early phases of the pandemic, we were able to adapt to the changing circumstances to help support the health and safety of our global workforce and keep our employees apprised of our response efforts. Among other measures, we:

- Created pandemic working guidelines.
 - Established safety protocols, which in the U.S. were informed by CDC guidelines for our in-person operations, including mandating personal protective equipment (PPE) and significantly increasing resources to clean and disinfect distribution centers and retail stores.
- We are committed to our employees and do our best to retain our workforce, but there are times when circumstances make reductions unavoidable.

- Conducted benchmarking of COVID-19 practices to inform our own approach.
- Launched virtual technology resources to support our teams across the world in communicating and collaborating, and pivoted IT security to support the remote workforce.
- Centralized reporting of positive COVID-19 cases to enable employee support and contact tracing, including providing emergency pay during their quarantine period to employees testing positive.
- Developed a new personal leave option that went beyond our existing policies and accommodated hundreds of employees who requested time away for self-care and to manage cases of COVID-19 exposure, shelter-in-place orders, and childcare needs.
- Enhanced benefits, including expanded back-up childcare and mental health support.



Unfortunately, the pandemic was such a time. In 2020, after first having taken interim measures such as temporary employee furloughs, we ultimately found it necessary to eliminate some roles as a result of the

pandemic's prolonged effects. U.S. employees affected by the job eliminations received severance, the option to continue health benefits, and outplacement services to support their transition.

Supporting Families

To ensure that families could continue to access needed products during the pandemic, our largest distribution center, located in Braselton, Georgia, remained operational.

Our team quickly developed a strategy that kept the facility operational and allowed us to continue serving families through our eCommerce operations and by shipping to retailers and ultimately to our own stores.



When our retail stores reopened for consumers, we were prepared. For example, in the U.S., we instituted mask mandates, social distancing requirements, and store capacity limits informed by CDC and local guidelines. We accelerated the launch of a planned “deliver from store” capability, essentially converting our retail stores into mini-distribution centers. We also launched curbside pickup as a convenient option for our customers.

We are thankful for the efforts of all our employees during the pandemic to serve our customers.

Partnering with Our Global Supply Chain

The COVID-19 crisis not only challenged us, but our Tier 1 suppliers as well. As a result, when the pandemic began, we partnered with our Tier 1 suppliers to modify orders and payment terms. Our guiding principle was to support those suppliers and to pay for the work that they performed. For example:

- If an order had reached the sew/packing stage, we asked the supplier to finish and ship these products to us.
- If an order was at the cut stage, we made case-by-case decisions to either finish the order and purchase as inventory or to cancel the order. In the latter cases, we asked the supplier to submit raw material information to us so that we could determine how best to settle that liability.
- If payment terms were extended, we also helped the supplier renegotiate payment terms with its vendors to help protect their cash flow.

As we moved through the pandemic, we were able to reinstate some canceled purchase orders and were able to accept some late shipments. We have also established a supply chain finance program which enables participating Tier 1 suppliers to accelerate receipt of payments where possible.

Helping Our Communities

During the pandemic, we supported communities and front-line medical professionals through product and PPE donations and collaboration with longstanding community partners. Among other efforts, we:

- Donated more than 200,000 PPE items to Children's Healthcare of Atlanta and Quality Care for Children.
- Contributed more than \$9 million of clothing to children and families in need.
- Including qualifying donations by our employees, provided more than \$40,000 through the Matching Gift Program.
- During our back-to-school B'gosh Jeanius campaign, matched every pair of denim purchased and donated 100,000 additional outfits to benefit Delivering Good.

Though the pandemic will hopefully wane as vaccinations increase, we plan to continue seeking opportunities to support affected families.



Protecting Customer and Employee Data

Customers and employees entrust us with their data, and we are committed to honoring their privacy and securing their personal information.

We have established physical, electronic, and contractual safeguards designed to protect the security and privacy of customer and employee personal information.

Our [Privacy Policy](#) describes the personal information that we collect about our customers, including how we may use it and when we share it with third parties.

In October 2020, we celebrated National Cybersecurity Awareness Month by holding weekly learning sessions.

Information Security Management System

Our approach to information security management follows the National Institute of Standards and Technology (NIST) and Capability Maturity Model Integration (CMMI) security frameworks.

We conduct assessments throughout each year to validate the efficacy of the control systems we operate. To maintain employee compliance with our policies, we require and conduct annual training in security awareness and procedures.

We strive to continuously improve our security posture along the NIST/CMMI frameworks and to remain informed by the changing privacy landscape, including GDPR (Europe), CCPA (California), and LGPD (Brazil) privacy legislation.



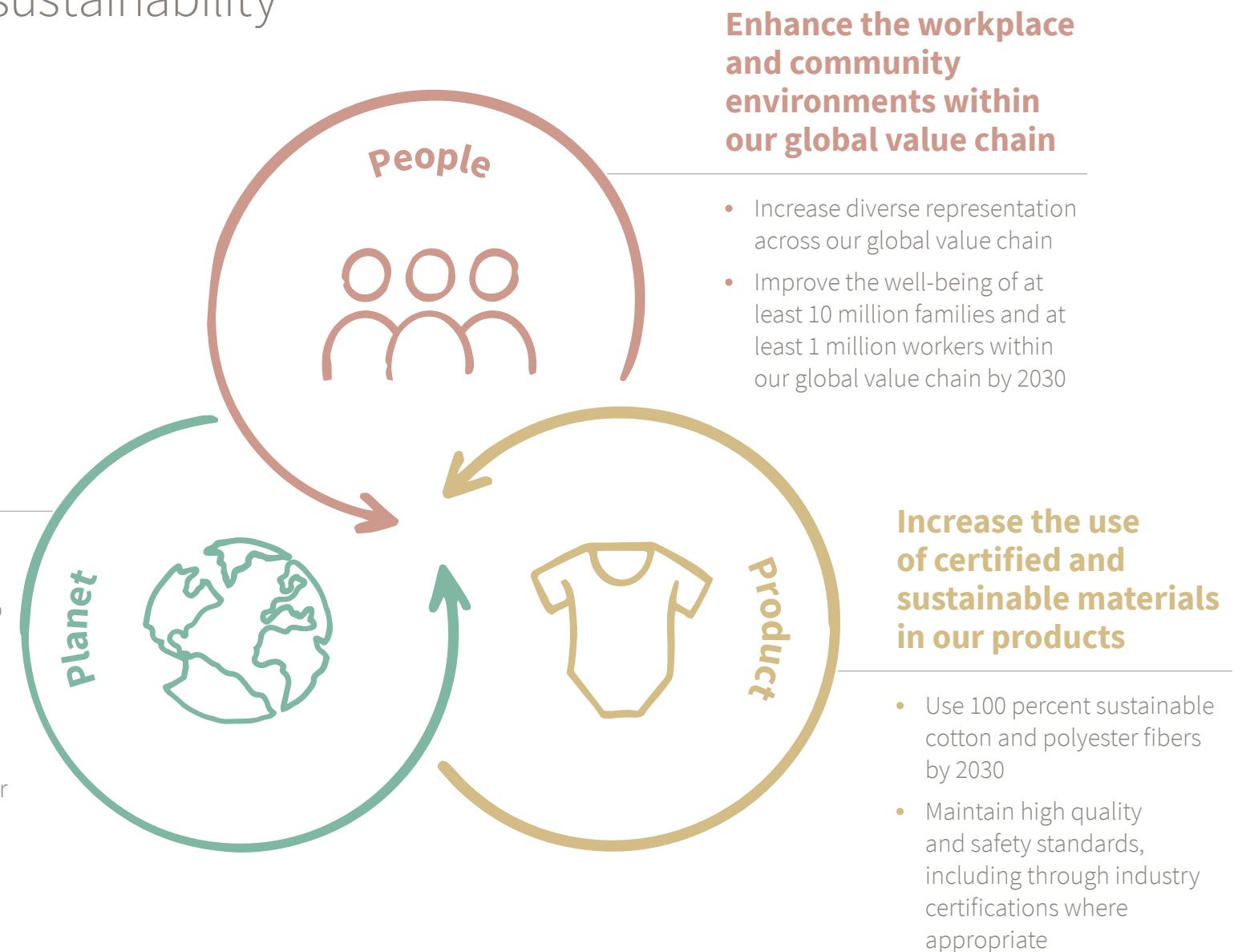
Our Corporate Social Responsibility Commitments

We have established goals to improve the sustainability of our products over the coming decade

To help us focus our efforts, we previously conducted a CSR issue assessment. This study helped to identify the areas of greatest importance to our Company's success and to our stakeholders, including employees, customers, and investors. Applying the results of this assessment and other stakeholder input, our priority CSR issues are:

- Product quality and safety
- Product design and innovation
- Employee engagement
- Diversity and inclusion
- Climate change
- Workers' rights
- Supply-chain management

Based on these insights, we have developed three strategic pillars that guide our long-term CSR commitments: People, Product, and Planet. In the years ahead, we plan to establish baselines and systems that can help us refine and measure progress towards our goals.



People



Employees

Each day our employees strive to achieve our mission by living our values

Through the passion and dedication of our diverse team around the world, we are able to deliver on our commitment to consumers to provide high-quality children's apparel and accessories at affordable prices.

We believe that by providing training, development, and a supportive and respectful workplace, we are able support our employees in serving the needs of all families with young children.

Goals

- Increase racial and ethnic diversity at the Vice President and District Manager levels

❗ Why it matters

Our employees make our business possible. We support them by seeking to create and maintain an inclusive workplace culture that fosters high employee engagement.

↗ Our progress

We are proud of the recognition we have received as an employer, including as a leading workplace for women and new graduates.

↗ Looking ahead

We intend to focus on measuring engagement, deepening inclusion and collaboration, and increasing digital skills in our workforce.



Diversity and Inclusion

Our diversity and inclusion (D&I) commitment focuses on our employees, consumers, and communities.

We strive to create an environment where all employees have a sense of belonging regardless of any dimension of difference, including ability, race, ethnicity, national origin, gender, age, sexual orientation, genetics, veteran status, or other status protected by federal, state, or local law.

We are committed to ensuring that our workforce reflects our diverse world through a range of efforts to broaden diversity and ensure fairness across our global enterprise.

We uphold this inclusive culture by:

- Striving to recruit the most qualified, diverse talent available.
- Reinforcing our values and Code of Ethics to set the standard for a respectful workplace.
- Seeking to support and reward all employees equitably.
- Educating employees on harassment, discrimination, and unconscious bias.
- Bringing our workforce together around cultural holidays and heritage celebrations.

In 2018, we established a cross-functional Diversity and Inclusion Steering Committee.



This committee includes senior leaders from across the Company who are responsible for assisting with the development of an integrated D&I strategy. We also established a Diversity and Inclusion Advisory Council to support the committee, composed of approximately 25 employees from a variety of functional areas and locations who collectively support our

strategic focus on employee, consumer, and community engagement.

In 2020, we formalized responsibility for D&I under our SVP, Corporate Social Responsibility. Our D&I efforts are overseen by our Board of Directors through its Nominating and Corporate Governance Committee.

Women at Carter's

33%
Board of Directors

25%
Leadership Team

52%*
VP & Director Level

*Global employee population as of the end of 2020

employee spotlight

Welcoming All Consumers



Jennifer
Lee-Harrison
VP of Demand Generation

Our consumer base is always shifting. With each generation, we adapt to changes in our consumers' lifestyles, values, identities, and preferences. Each generation also becomes more diverse, in both their identities and in their sources of information, which is especially true of Millennials and Generation Z.

We strive to create a welcoming and inclusive experience for all, and to do so, we continually evolve the ways we engage with different consumer audiences to understand and meet their needs. It's not about adding a few people of color to our marketing or a one-time transaction. It's about layering deep cultural insights into our full consumer experience and building a long-term relationship in which consumers think of Carter's when they think of buying for people they love.

Accomplishing this means appreciating and respecting everyone who shops with us, in an authentic and personalized way.

Employee Engagement and Well-being

Maintaining high engagement and retention among our employees is a fundamental priority.

We believe formal and informal mentoring activities are essential ways in which we fuel engagement. We also schedule regular cross-functional meetings with senior leaders for all VPs, directors, and managers. To measure engagement and identify areas for improvement, we intend to conduct a global employee survey in 2022.

We continually measure and monitor diversity metrics with respect to pay equity, retention, new hires, internal promotions, and identified successors.

In 2020, 65 percent of our new hires for U.S. roles were racially or ethnically diverse.*

*Includes corporate offices, retail, and distribution center positions.

Recruitment

We believe that strong employee engagement begins at the recruitment stage. We strive to enhance opportunity and D&I by developing a pipeline of successors for key positions through recruiting, formal succession planning, and development strategies.

Our recruitment strategy begins by identifying the kinds of talent we'll need in order to adapt to



changes in our industry and customer base. Our objective is to attract diverse, highly qualified talent, and to ensure candidates understand the values and high standards we live by. We believe this is aided by our reputation built on providing an excellent employee experience. The difficult circumstances of the pandemic have underscored this advantage, as we believe our resilience during COVID-19 has helped us attract top talent from other organizations and industries.

We also seek to be diverse and inclusive in our recruiting platforms, candidate slates, and

interviewer panels, and to increase our team's training in these important areas. We are proud of the recognition we have received for being one of the best employers for women, but we are striving to do more to include members of other underrepresented groups in managerial and other senior roles. We believe this approach is yielding results as we successfully compete for the skills our business strategies require while diversifying our hiring.

We believe great hiring is only the beginning of a strong culture. To help ensure long-term success and engagement, we also invest in advancement, attractive benefits, and development.

Training and Career Development

We provide meaningful growth opportunities through onboarding programs, continuing education, and mentoring programs. We also offer a tuition assistance program that supports eligible employees in continuing their education.

Along the way, our managers are expected to set clear objectives and expectations and provide feedback to help employees achieve their goals through Individual Development Plans. During 2020, approximately 99 percent of employees received a performance review.* We also review pay equity at the time of hire, during the annual and mid-year performance review process, and at the time of promotion.

Each year, we create a training road map that is informed by employee input, including

Fiscal 2020 Workplace Training[†]

~176,000

Total number of training hours

~17,000

Total number of trainees

~10

Average hours of training per employee

* Global employee population (corporate offices, distribution centers, and retail). Those who did not participate in the annual review process were mostly retail store associates in Mexico. We expect they will participate in the review process beginning in 2021.

[†] Global employee population (corporate offices, distribution centers, and retail). Does not include retail onboarding, international operations, and certain other trainings.

the topics most frequently searched in Carter's University, our internal learning program. We also consider changing needs based on current events. Nearly all employees have access to some form of training program.

Our on-the-job learning processes and formal development programs include:

- Mentoring programs
- College programs
- Leadership development programs for corporate and retail employees

We provide mandatory annual Code of Ethics training that addresses workplace harassment and anti-discrimination education. We also have a multiyear plan for unconscious bias awareness and inclusive leadership education.

Career Development in Our Retail Business

As of the end of fiscal 2020, we had approximately 18,000 employees globally, of which approximately 14,000 worked in our retail stores across North America. We've established both self-paced and accelerated career tracks that help these employees gain hands-on experience that can support advancement to more senior positions.



Growth Charts

Self-paced learning track to help motivated employees at all levels of our retail organization advance in their careers



Spark Your Development

Monthly training videos for all retail employees, covering leadership topics such as accountability and empathy



Emerging Leaders Program

Self-nominated development program for all full-time managers seeking advancement toward more senior store management roles



Store Manager Leadership Academy

Nomination-based development program designed to help Store Managers and General Managers build new skill sets to grow within their roles



District Manager Leadership Academy

Nomination-based development program designed to help District Managers enter the talent pipeline for corporate and field leadership positions

Employee Benefits and Well-being*

Our employees fill many different roles outside of work as parents, partners, caregivers and friends, so we design our benefits to support employee well-being inside and outside of work.

In the U.S., we believe we offer competitive benefits, including health and welfare and retirement plans. We also provide a variety of leave options for eligible employees, including up to 26 weeks of Short-Term Disability, a Long-Term Disability program, a medical leave program covering all full-time and part-time employees, and a flexible personal leave program.

Caring for children is an area we know well. For example, in the U.S., we support all families welcoming children into their lives—whether through birth, adoption, or surrogacy—by providing time off, reimbursements, parenting resources, support for daycare, and back-up care.

In 2020, we were proud to provide more than 17,000 hours of paid parental leave across our U.S. workforce. This benefit offers full-time employees 160 hours of paid time off that can be taken at any point in their child's first year.

For more details on benefits, please visit our [Benefits & Well-being page](#).

“It feels good that values that are so important to me personally are also important to the Company that I work for.”

—Lisa Born, SVP, Merchandising

Maternity and Postpartum Support

In 2018, we were the first children's retailer to provide U.S. employees with access to Maven, a virtual resource dedicated to women's and family health. This innovative platform connects working families with experts and other parents to help them navigate everything from maternity and fertility concerns, to new parenthood, to returning to work after having a new child. With a network of doctors, including pediatricians, OBGYNs, and mental health specialists, available for video chat, Maven gives our employees the support they need anywhere, anytime.

Safety

We believe workplace safety is a critical aspect of providing day-to-day well-being for employees. In the event an injury does occur, our employees have support to ensure that they can get the treatment they need.

Additionally, all U.S. employees are eligible for workers' compensation, and we make temporary, light-duty positions available for employees with injury-related restrictions.

2020 Occupational Health and Safety Data

Data based on workers directly employed by Carter's

Work-related injuries	36
Days away, restricted, or transferred (DART) rate**	.53
High-consequence work-related injuries***	1
Fatalities	0

** DART Rate = Number of OSHA recordable injuries and illnesses that resulted in days away, restrictions, or transfers x 200,000 ÷ Employee hours worked.

*** Work-related injuries from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.

* Benefits vary by country, role and location. For benefits outside of the U.S., we review local market trends and laws related to benefits and leaves of absence. We partner with our global benefits consultant and expand our Carter's policies and programs where appropriate and feasible, with a focus on supporting employee well-being and families.

Workforce Demographics*

	Total Employees	%	Board of Directors	Leadership Team	VPs & Directors	Supervisor - Sr. Managers	Below Manager
Gender							
Male	2,079	12%	67%	75%	47%	9%	12%
Female	15,583	87%	33%	25%	52%	89%	86%
Not Recorded	333	2%	-	-	-	2%	2%
Age Group							
Under 30	10,479	58%	-	-	-	42%	65%
30-50	5,506	31%	11%	25%	63%	45%	24%
50 & Above	2,010	11%	89%	75%	37%	12%	10%
Ethnicity							
Asian	574	3%	-	-	5%	2%	3%
Black/African American	2,964	17%	-	8%	6%	10%	19%
Hawaiian/Pacific Islander	40	-	-	-	-	-	-
Hispanic/Latino	4,384	24%	-	-	5%	20%	26%
Native American	56	-	-	-	-	-	-
White	6,566	37%	100%	92%	73%	42%	34%
2 or More	598	3%	-	-	-	3%	4%
Not Specified	2,813	16%	-	-	11%	23%	13%

*Global employee population as of January 2, 2021. Ethnicity of non-U.S. employees is recorded as "Not specified"

Hiring*

	Total New Hires	%
Role Category		
Corporate	103	1%
Distribution Center	2,448	28%
Retail	6,058	70%
Age Group		
Under 30	6,290	73%
30-50	1,807	21%
50 & Above	512	6%
Gender		
Male	1,265	15%
Female	7,026	82%
Not Recorded	318	4%
Ethnicity		
Asian	236	3%
Black/African American	2,285	30%
Hawaiian/Pacific Islander	14	-
Hispanic/Latino	2,112	27%
Native American	23	-
White	2,664	35%
2 or More	371	5%
Not Specified	0	-
Seniority		
Below Manager	7,822	91%
Supervisor - Sr. Managers	774	9%
Director & Above	13	-

Retention*

	Total Departures	Turnover Rate	Retention Rate
Role Category			
Corporate	373	25%	75%
Distribution Center	525	21%	79%
Retail	6,556	47%	53%
Age Group			
Under 30	4,927	47%	53%
30-50	1,911	35%	65%
50 & Above	615	31%	69%
Gender			
Male	771	37%	63%
Female	6,589	42%	58%
Not Recorded	94	28%	72%
Ethnicity			
Asian	174	30%	70%
Black/African American	1,246	42%	58%
Hawaiian/Pacific Islander	22	55%	45%
Hispanic/Latino	1,592	36%	64%
Native American	25	45%	55%
White	2,790	42%	58%
2 or More	289	48%	52%
Not Specified	4	19%	81%
Seniority			
Below Manager	5,641	44%	56%
Supervisor - Sr. Managers	1,767	37%	63%
Director & Above	46	19%	81%

*All figures except ethnicity include global employee population from January 1, 2020 through December 31, 2020. Ethnicity data are U.S. only, from January 1, 2020 through December 31, 2020. In the first and fourth quarters of fiscal 2020, the Company announced several organizational restructuring initiatives which included a reorganization of staffing models across multiple functions to drive labor savings and increase efficiencies, the consolidation of certain functions into our corporate headquarters in Atlanta, Georgia, and over 100 planned store closures by the end of fiscal 2021.

Protecting Human Rights in Our Global Supply Chain

We believe all workers and communities deserve to be treated fairly and with dignity

We strive to be a responsible, responsive employer and corporate citizen, and we expect the same from our suppliers, particularly in their treatment of their workers.

We carefully select the Tier 1 suppliers (which manufacture our products) we work with and we uphold our expectations through training, monitoring, and our policies, which are informed by the Universal Declaration of Human Rights.

Goals

- Extend traceability of cotton to our fabric mills by 2025
- Improve the well-being of at least 1 million workers in our global supply chain

! Why it matters

We seek to ensure that workers making our products are being properly compensated, are treated fairly, and are provided with a safe work environment.

↗ Our progress

In recent years, we have increased our work with multi-stakeholder organizations to help improve aspects of our sourcing.

↗ Looking ahead

As part of achieving our goal of improving the well-being of at least 1 million workers, we intend to seek out new international partnerships and initiatives that educate and empower workers in our global value chain.



Social Compliance Management

Our Social Compliance Program is designed to help ensure our Tier 1 suppliers operate according to the requirements of our Vendor Code of Ethics and Social Responsibility Policy, which in some cases requires going above and beyond their local laws.

We set compliance targets for Tier 1 suppliers, who own and operate the factories that manufacture our products. We are in the process of extending visibility to Tier 2 and 3 apparel suppliers who provide cotton-based materials (such as yarns and fabrics) to Tier 1 apparel suppliers.

Auditing

Our Social Responsibility Policy sets forth requirements that Tier 1 suppliers must satisfy in order to do business with us. We screen 100

percent of our new Tier 1 suppliers relative to our standards. We regularly audit our Tier 1 suppliers to verify compliance with our policies, as well as to improve working conditions and labor practices in factories.

Tier 1 suppliers must achieve a minimum score, which is set by Carter's based on the type of product being produced. We contract with accredited and internationally recognized third party auditors to perform these audits. We also conduct unannounced audits. In addition, we survey workers to better understand their sentiments and treatment. If an audit finds non-compliant practices, we develop a corrective action plan to remediate areas of noncompliance. If the supplier fails to demonstrate improvement, or meet our requirements in the corrective action plan, we reserve the right to terminate our working relationship.

Tier 1 Supplier Onboarding Procedure



Identification

Includes evaluation of country conditions and review of Tier 1 supplier or factory credentials and alignment with Carter's policies. Facilities reports may also be requested.



Qualification

Includes extensive reputation screening and third-party audits for product safety, social compliance and security. These inform decision on whether or not to contract Tier 1 supplier.



Activation

Includes onboarding, production planning, and recurring yearly assessments for compliance with our policies. Additional training and corrective action plans are put in place where needed, based on assessment results.

Training

We have also developed a Tier 1 supplier training program that provides specific guidance on compensation and benefits, employee documentation, and worker health

and safety. The program is updated periodically and provided to Tier 1 suppliers. Today, we have teams working in Cambodia, China, and Bangladesh to better support our Tier 1 suppliers and enhance workplace conditions.

Tier 1 Supplier Compliance

	2020	2019
Number of Active Tier 1 suppliers	100	110
Number of Active Factories	164*	195
Number of Factories With a Passing Score	155	191
Number of Factories With a Below Passing Score	3	4
Number of Unannounced Audits Conducted	69**	105

* There were six factories we were only able to audit virtually due to the pandemic; we therefore chose not to issue a score to those.

** Due to pandemic restrictions, we paused the execution of unannounced factory audits in 2020.

Partnering for Progress

We believe that many working-condition challenges in our global supply chain are complex or systemic and cannot be solved by any one company alone. In many cases, we believe multi-stakeholder dialogue and collaboration represent the most productive and effective approach to address industry-wide issues.

For example, the Alliance for Bangladesh Worker Safety, in which we participated, had a significant impact on safe garment manufacturing conditions in that country. We have participated for many years in other important collective initiatives and organizations and also continue to forge new partnerships.



As a member of the AAFA's Social Responsibility Committee, we learn and share best practices with industry peers. Additionally, we signed the AAFA's Commitment to Responsible Recruitment, which seeks to eliminate conditions that can lead to forced labor.



We are a member of this locally managed organization, which facilitates workplace safety for its members' factories in Bangladesh.



To support our social and environmental goals in the sourcing of sustainable fibers, we joined the Better Cotton Initiative (BCI), the world's largest sustainable cotton program. Together with its partners, BCI provides training on more sustainable farming practices to more than 2.3 million cotton farmers in 23 countries.



We are a signatory to the multi-stakeholder pledges promoted by the Responsible Sourcing Network concerning forced labor in Uzbekistan, which commit us to keeping cotton produced by forced labor in Uzbekistan and Turkmenistan out of our products.



We are members of the Sustainable Apparel Coalition (SAC). We intend to use the group's suite of tools for the standardized measurement of value chain sustainability, the Higg Index, to drive environmental and social responsibility throughout our global supply chain.



We are supporting Yarn Ethically & Sustainably Sourced (YESSION), a new initiative focused on developing a scalable due diligence program to eliminate the use of forced labor in cotton production.

Preventing Forced Labor

We have no tolerance of forced labor, and we monitor our Tier 1 suppliers and events in the regions where we do business to maintain this standard to the best of our ability.

As an example, due to the government-sanctioned use of forced labor in the harvesting of cotton in Uzbekistan and Turkmenistan, we prohibit the use of any cotton from those countries in our products and have signed the Uzbekistan Cotton Pledge created by the Responsible Sourcing Network.

In addition, we do not have products manufactured in Xinjiang, China and we have taken steps to ensure that our products do not include materials produced by entities that may use forced labor.

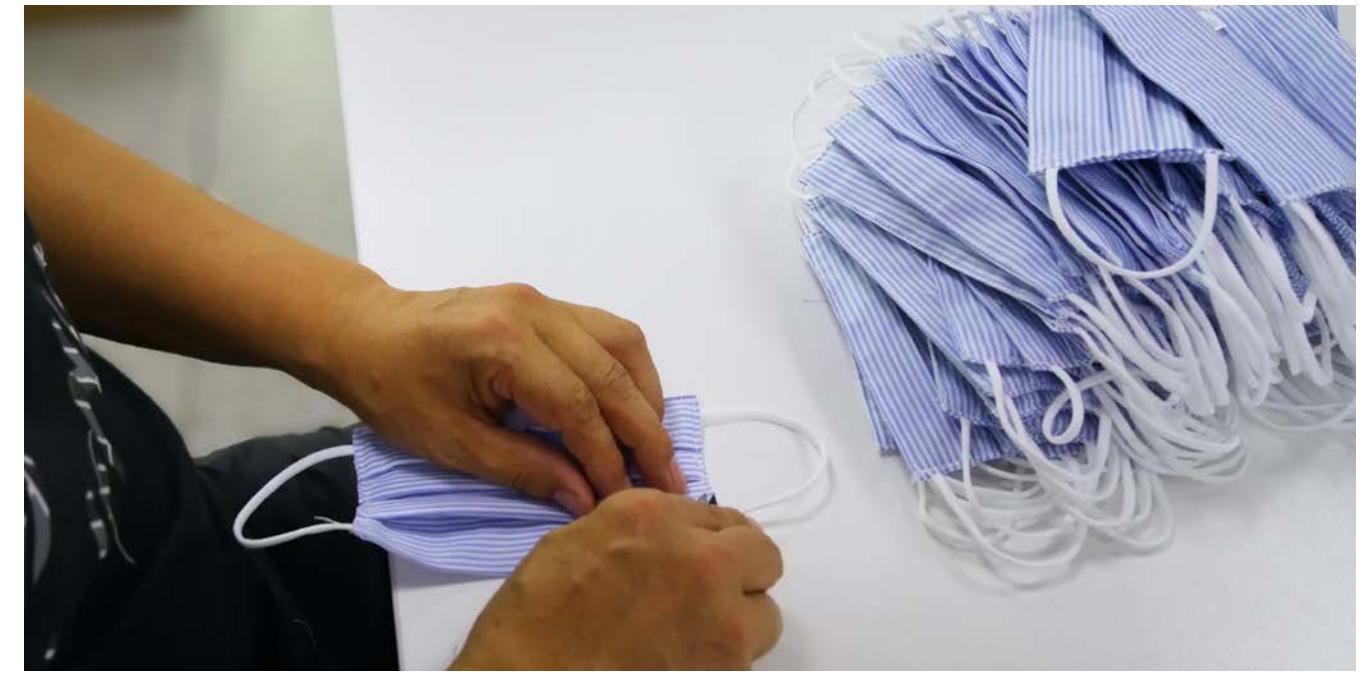
We clearly specify our expectations on labor practices in our commercial relationships, including requiring that Tier 1 suppliers conduct due diligence throughout the recruitment and hiring process to prevent labor exploitation by third parties, such as labor brokers or contractors.

We are also taking other preventative steps, including expanding our visibility to Tier 2 and 3 suppliers that provide cotton-based materials.

Freedom of Association and Worker's Rights

We do not tolerate endangerment or abuse of workers. At a minimum, all our Tier 1 suppliers must comply with these practices:

- The use of child labor or forced labor is strictly prohibited. Tier 1 suppliers must conduct due diligence throughout the recruitment and hiring process to prevent and address labor exploitation by third parties, such as labor brokers or contractors.
- Tier 1 suppliers must never discriminate based on any personal characteristic or belief, such as race, gender, age, nationality, religion, social or ethnic origin, sexual orientation, pregnancy, family status, or political opinion. Tier 1 suppliers must provide all employees with equal pay for work of equal value regardless of race, ethnicity, gender, or social class or status.
- Tier 1 suppliers must agree that no worker pays a portion of their wage to retain their job, that workers retain control of their travel documents and have full freedom of movement, and that all migrant and foreign workers are informed of the basic terms of their employment before leaving home.
- The use of physical or mental disciplinary practices, such as intimidation, psychological coercion, threats, or harassment of any kind, is strictly prohibited. Tier 1 suppliers must treat workers in a fair manner and with dignity and respect.
- Tier 1 suppliers must compensate workers in a timely manner, with wages and benefits that comply with all local and national laws.
- All work must be conducted in legitimate work facilities.
- Tier 1 suppliers must establish work schedules that are consistent with local legal requirements, including work hour limits.
- Tier 1 suppliers must recognize and respect the rights of workers to participate in a collective bargaining unit.
- Tier 1 suppliers must provide workers with safe, clean, and healthy working conditions, by ensuring equipment safety, properly ventilated and lit work areas, appropriate personal protective equipment, working fire alarms, and an emergency evacuation plan.



Uplifting Our Communities

Our community-focused program supports education and well-being for children and engages employees through collective charitable efforts

Carter's cares about the well-being of all children and believes that childhood should be a celebration. We look for opportunities to nurture and protect children and to build communities in which children can thrive. Our focus is on needs where our strengths and resources are best able to bring about meaningful and positive change. We work to make children's lives easier so that they can be free to do what they do best—be kids.

We seek to support a child's well-being by providing access to early learning, clothing, books, and other resources. We believe our community efforts contribute to our Company

culture, and we follow a three-pronged approach that involves our employees and customers:

- **Corporate giving:** The Company provides product and in-kind donations, while Carter's Charitable Foundation, Inc. provides financial support to our charitable partners.
- **Employee giving:** Each year, eligible full-time U.S. employees can take advantage of 16 hours of paid volunteer time and \$500 in gift-matching for qualifying donations.
- **Customer giving:** We regularly engage with our customers to involve them in our charitable efforts and cause campaigns.

Our focus areas

- Ensuring no product that could be used by a child in need is ever discarded
- Giving back to the communities in which we do business
- Connecting our employees to our Company's commitment to making a difference
- Engaging our consumers in the causes we support



Supporting Early Childhood Education

Along with our employees and customers, we support organizations that meet basic needs and provide for the health and well-being for children. Childhood education holds a special place in our priorities because we believe it makes a difference in creating equity and opportunity. Some of the ways we contributed to this cause in 2020 included:

- Providing Boys & Girls Clubs of America with gift bags, congratulatory notes for program participants, and \$25,000 from Carter's Charitable Foundation, Inc.
- Donating 2,600 backpacks for hygiene kits during COVID-19, wrapped gifts for 1,500 children, and \$20,000 from Carter's Charitable Foundation, Inc. to Sheltering Arms, Georgia's oldest non-profit early education program.
- Sponsoring United Through Reading by connecting military service members to their children through video-recorded bedtime stories.

Through our Carter's in the Classroom program, we also provide paid time off for eligible employees to volunteer in their local schools and provide grants to those schools where employees volunteer 16 hours of service.

Pajama Program

Pajama Program is a national charity that promotes and supports a comforting bedtime routine and healthy sleep for all children to help them thrive. The organization provides pajamas, storybooks, and sleep health education resources to caregivers.

Pajama Program hosts storytime and educational programs across the country. During these events, children are paired with caring volunteers for storytime and gifted a new pair of pajamas and a new book.

We have been a Pajama Program partner since 2009 and are the lead pajama partner for Pajama Program's "One Million Good Nights" campaign. We share Pajama Program's belief that helping kids get a better night's sleep can have a positive impact on their lives.



Every year we feature Pajama Program donation events in our stores, which encourages our consumers and our employees to come together around a common cause and provide support to kids in local communities.

In 2020, our consumers donated more than \$1.6 million to Pajama Program during the holiday season and our employees donated more than 2,700 pajamas to benefit children in our local communities. As an organization, we also donated 100,000 pairs of pajamas in 2020, and since 2009, we have raised more than \$12 million for Pajama Program.

employee spotlight

A Long Commitment to Light the Night



Tria Yang

Human Resources Coordinator

The Leukemia & Lymphoma Society's Light the Night (LTN) walks hold a very special place in my heart. I lost my beloved father to cancer, and my niece was diagnosed with leukemia at age 23. She is currently in remission with the support of the Leukemia & Lymphoma Society.

Carter's has a long partnership with LTN. The pandemic required adjustments, but we still found a way to share this special experience with employees, and the Braselton distribution center raised the most funds in recent memory.

We are a Company that understands how important it is to care for the children of today for tomorrow. I have been blessed to be a part of the Carter's family for the last 8 years and, along with other associates, to have been given many opportunities to act on this belief.

It is so important to keep fighting for a cure for all cancers. It may not be today or tomorrow, but I will at least leave this earth knowing my efforts have contributed to one day finding a cure.

Product





Making Sustainable Products Accessible to All

We are focused on providing the best value and experience in young children's apparel

We work closely with our suppliers, testing labs, and other third parties to help ensure our products meet our high standards of quality. Our product safety guidelines help ensure our products are safe for those who use them.

We require Tier 1 suppliers that we source from directly to complete annual product safety audits with periodic checks by Carter's Quality Assurance and Product Integrity field teams. We also spend several months onboarding new Tier 1 suppliers and train them in our guidelines.

We have also committed to increase our use of sustainably sourced and certified materials.

★ Goals

- Use 100 percent sustainable cotton and polyester fibers by 2030
- Maintain high quality and safety standards



Product Design, Innovation, and Stewardship

Why it matters

Investing in sustainable innovation can help improve our products and reduce their environmental impact.

Our progress

We've launched our *Little Planet* brand, which includes mostly organic cotton, certified by Global Organic Textile Standard (GOTS), a leading global textile processing standard for organic fibers. This has provided us learnings that can be applied to other product lines. We also are evaluating more sustainable material options for other brands.

Looking ahead

Our focus includes conducting life cycle assessments on our apparel and advancing our efforts to reduce impacts by using new design and innovation tools.

Designing for children who are discovering the world around them is a fulfilling challenge. We believe our products must be safe, comfortable, and durable. We are also looking for ways to reduce our environmental impact, and therefore we are beginning to factor material and process sustainability into our planning. In the years ahead, we expect this will allow us to offer customers more sustainable options.

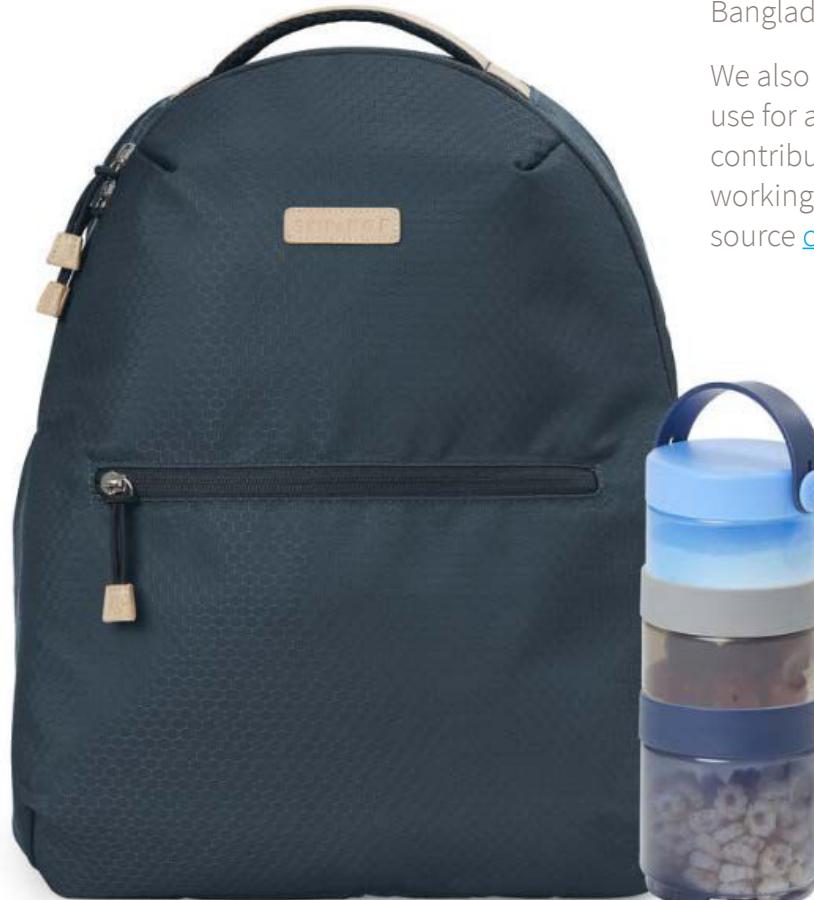
To meet the needs of the families who rely on our products, we also engage with consumers to understand their priorities and expectations, in addition to providing channels through which they can share their feedback on our products. This listening guides our decisions and helps us serve those who buy and use our apparel and accessories.

We want our products to be representative of and accessible to all families. In celebration of Black History Month in 2021, we released a t-shirt collection featuring Historically Black Colleges and Universities, including North Carolina A&T State University, Florida A&M University, and Morehouse College. This collection is one example of our inclusive business strategy.



Our Sustainable Materials Journey

We select materials that allow us to deliver the safety, comfort, and durability our consumers and their children expect. Our primary materials for apparel are cotton and polyester, and we have committed to securing those and other materials from sustainable sources by 2030.



We are also in the process of establishing better visibility of the mills in which our fabrics are made, which can help us achieve our new goal.

Approximately 78 percent of the fabric used in the manufacture of our products is sourced from China, with the remainder primarily from Bangladesh, Thailand, and Taiwan.

We also strive to source all of the materials we use for all of our products in ways that do not contribute to human rights abuses, including working with our suppliers to ensure we do not source [conflict minerals](#).

Sustainably Sourced Cotton

As a significant user of cotton, we believe it is important to source this fiber in ways that support positive environmental, social, and economic outcomes for stakeholders across our global value chain.

One of the main ways we intend to achieve our goal of 100 percent sustainable cotton is through our participation in the Better Cotton Initiative (BCI).

Our *Little Planet* clothing line includes mostly organic cotton, certified by GOTS, a leading global textile processing standard for organic fibers. We believe this line demonstrates our commitment to continuous progress and our ability to innovate for sustainability.

For more information on our sourcing, see [Protecting Human Rights in Our Global Supply Chain](#)

The Skip Hop Go Envi diaper backpack is an example of Skip Hop's journey to create more sustainable product offerings, and we plan to introduce other products made with recycled materials in the coming years. The backpack's exterior is made of REPREVE fiber* sourced from recycled bottles.

* REPREVE® Unifi, Inc.

Launching Little Planet

Little Planet is a Carter's brand that includes mostly organic cotton, certified by GOTS, a leading global textile processing standard for organic fibers.



First piloted in 2017, we launched the line in early 2021. It includes a wide assortment of baby apparel and accessories, sleepwear, and gift bundles. We believe the line has been well received by our customers, and we intend to expand the scope of this brand in the years to

come. We also continue to work closely with our partners to innovate more sustainable material choices.

We believe building this product offering extends our ability to make sustainable products accessible to consumers and creates new growth opportunities for Carter's. We believe it also improves our expertise and supplier relationships in ways that can contribute to sustainability efforts in our other product lines.

We believe we've created a distinctive product experience for *Little Planet* by using sustainable materials and decorative elements in its packaging.



employee spotlight

The Making of *Little Planet*

**Carrie Andersen***Senior Director of Merchandising***Why and how did Carter's create this line?**

Along with many consumers, we believe sustainability and the environment are more important than ever, and we saw an opportunity to create more sustainable products. We hope our consumers feel the love we poured into this special new brand.

What was most challenging in bringing it to market?

The most challenging part was launching a new brand during a pandemic, not being together in the office on most days, and the unknowns of where market forces would take us. Though the last year has brought unexpected events, we are pleased to see consumer response is already exceeding expectations, and we remain committed to making *Little Planet* a success.

How does this line relate to your own purpose and career priorities?

Little Planet is central to what matters most to me as an employee and as a mom.



With two young girls, I am always thinking of their future and the world our generation will leave for theirs, and the next. My career at Carter's has given me countless opportunities to learn, contribute, and make an impact. I am trying to bring the best of my Carter's experience to the *Little Planet* brand—and then back again to the larger organization.

What do you see for the future of this line and the team creating it?

My hope is that this brand grows with our little ones and offers parents the choices they are looking for, and that we can apply our learnings gained from *Little Planet* about sustainable design across our portfolio of brands.

Our Commitment to High-Quality, Safe Products

! Why it matters

We believe our success is built on the trust consumers place in our products and brands. And we believe that maintaining this confidence allows us to serve future generations.

Our progress

Since 2019, we've increased our transparency regarding chemicals by publishing a comprehensive Restricted Substances List (RSL). We've also committed to increasing our use of materials that reduce our environmental impact and enhance product safety.

The health of the children and families who use our products is one of our highest priorities. We review every product we develop for potential health or safety risks and take appropriate steps to mitigate those risks.

Our processes are designed to help ensure that our products are safe and made right. These include testing programs that go beyond regulatory requirements, and examining the products we design at both the materials and manufacturing stages for performance and quality.

We also actively monitor consumer feedback and respond promptly if concerns are raised. If a product recall is appropriate, we take prompt action in order to safeguard the customers who wear and use our products.

YKK® SNAPET® Snaps

In 2021, we expect to source nearly 1 billion ring snaps for use in our products. In partnership with YKK, by the end of 2022, we intend for 100 percent of those to be YKK's Kensin Stainless Steel SNAPET® snaps, which have a base made of stainless steel instead of brass.

Making snaps from this material reduces the use of water, electricity, and CO₂ when compared to brass. It also eliminates the need for electroplating, thus reducing the creation of hazardous waste as byproducts of the manufacturing process.

83%
water reduction*

76%
CO₂ reduction*

78%
electricity reduction*

98%
hazardous substances
reduction*

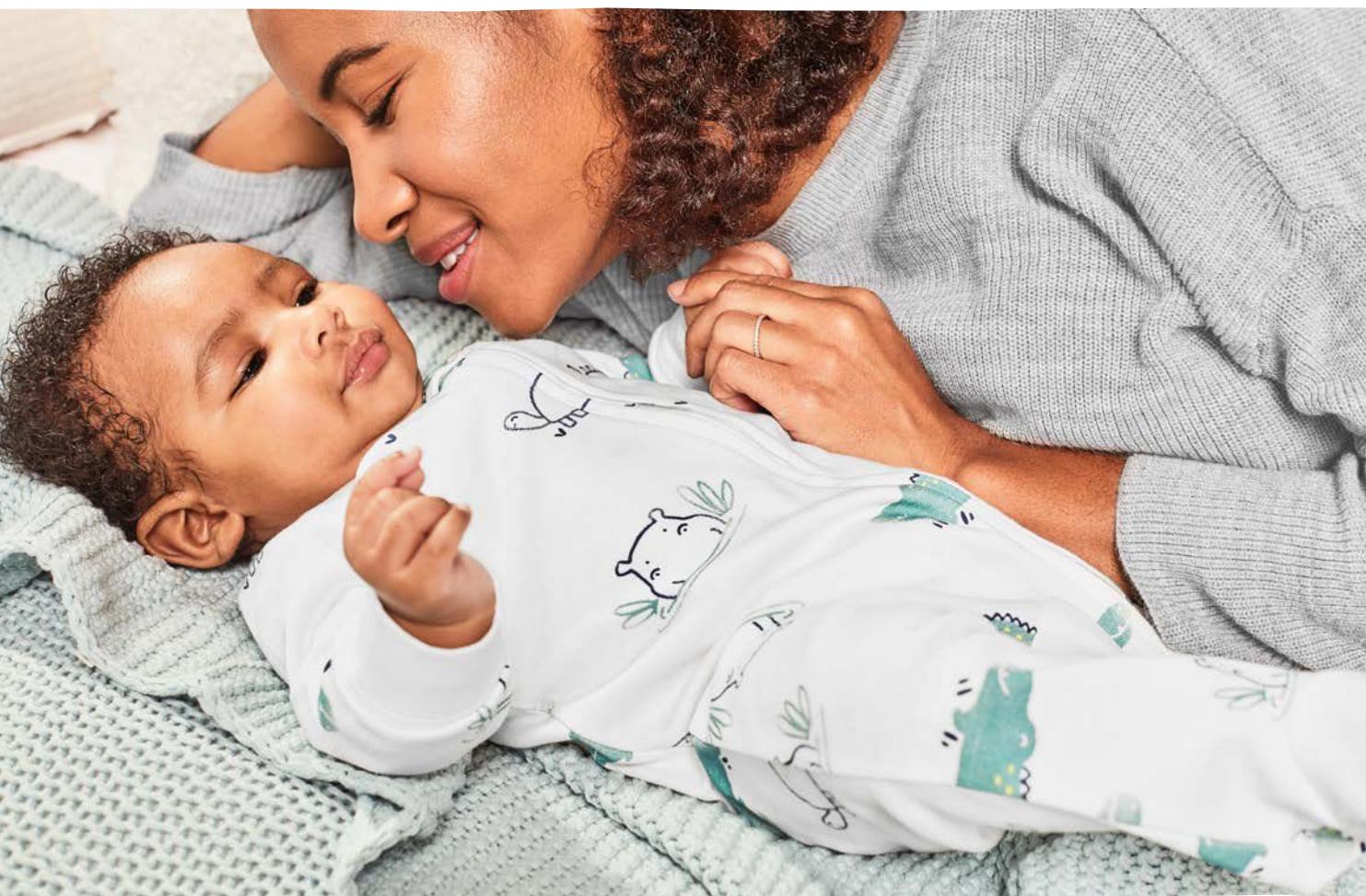


*YKK's Kensin manufacturing compared to brass snap manufacturing. Data provided by YKK.

Product Certification

One way we ensure high quality is evaluating and committing to third-party certifications. We proudly use the STANDARD 100 by OEKO-TEX® certification label, which we expect to appear on much of our 0-24 months baby apparel and sleepwear by 2022.

This standard certifies that textiles have been tested for harmful substances. We expect to require many of our raw material suppliers to carry this certification for all materials they provide for our apparel and we intend to work with them to help them achieve this objective.



Chemicals Management

One of our areas of focus in quality and safety is managing and minimizing the use of potentially harmful chemicals in our products.

For example, our [Restricted Substances List](#) (RSL) designates chemicals which should be minimized or avoided as much as possible in our apparel. There are several reasons we might restrict a substance, including government legislation or regulation, health and safety concerns for consumers and workers, or potential environmental hazards. We distribute the list to Tier 1 apparel suppliers and employees where relevant so they can be aware of and follow our chemical policies. Before shipping products, Tier 1 apparel suppliers are required to test each apparel style for the presence of chemicals to ensure any concentration levels remain below safe limits.

In March 2019, we provided Tier 1 apparel suppliers with an expanded RSL that increased the number of restricted chemicals covered by the policy and introduced additional safeguards

to further minimize customer risk and exposure to potentially harmful chemicals.

We are currently implementing the requirements of our expanded RSL across our apparel supplier base. We expect that, starting later in 2021, Tier 1 apparel suppliers will fully follow our new RSL and heightened restricted substance requirements for our apparel. Our adoption of STANDARD 100 by OEKO-TEX® certification will further ensure safety from harmful chemicals in our finished products for babies and sleepwear.

Similarly, we restrict the chemicals our Tier 1 accessory suppliers may use in the production of our products. Our vendor manual requires that the suppliers comply with U.S. and EU laws, as well as certain state and local requirements.

We have programs to audit our Tier 1 suppliers' compliance with our standards, which includes selecting a sampling of product for testing.

Planet





Managing Our Environmental Impact

We believe in contributing to a better future for our communities and children

Since 2019, we have conducted annual environmental inventories to evaluate our carbon emissions, energy use, waste, and water consumption.

The purpose of these inventories is to help us eventually set baselines and track improvements over time.

We are still developing our data collection processes and we believe we have work to do in this area. For example, our suppliers in our supply chain have varying levels of experience in providing environmental data and are often outside of our direct control. As a result, our inventories to date have necessarily been incomplete and will require improvement.

One of our goals is to establish complete and robust environmental data that covers all of our business. To that end:

- In the near-term we plan to focus on expanding our data collection to include additional sources and are partnering more closely with suppliers to improve reporting.
- We also intend, by 2025, to source only from suppliers that use the Sustainable Apparel Coalition's HIGG Facility Environmental Module (Higg FEM). The Higg FEM is an assessment that provides facilities a clear picture of their environmental impacts, and helps them identify and prioritize opportunities for performance improvements.

Please note that due to the limitations explained above and in the data charts that follow, we caution against year-over-year comparisons, as inconsistencies in the data (particularly as it relates to Scope 3 and indirect operations) may be present.



Why it matters

At Carter's, we believe in contributing to a better future for generations to come, and to do our part in leaving behind a world where children can thrive, we believe that we must continue to reduce the environmental impacts of our products and operations.



Our progress

We've implemented energy-saving technologies and set what we believe to be a meaningful emissions reduction goal for the coming decade. We have also established an [environmental policy](#).



Looking ahead

We plan to improve our data quality, reduce the environmental impacts in our direct operations, and collaborate with suppliers on environmental initiatives.

Improving Our Energy and Emissions Footprint

We believe that climate change poses risks to the planet and our business. In the coming year, we intend to evaluate these risks in greater detail.

In the interim, we have set a target to reduce our emissions this decade by at least 25 percent against a baseline to be determined as part of our process in setting a science-based goal. We plan to have our reduction goal target all of our operations ([Scope 1, 2, and 3](#)). This initiative will be under the supervision of our SVP, Corporate Social Responsibility. We intend to communicate about our strategy and progress in future CSR reporting and through responses to the CDP climate change questionnaire, which helps companies to measure and manage their environmental impacts.

Goals

- Reduce greenhouse gas emissions by at least 25 percent by 2030, and develop a science-based target
- Use more sustainable packaging and reduce landfill waste
- Promote efficient use of water in the manufacturing of our products

Reducing Waste

We believe building a better future means being efficient with our resources and avoiding waste wherever we can. We are collecting and analyzing data that can help us understand how to improve our waste-reduction efforts.

We also plan to improve tracking processes to better monitor our waste profile in our corporate offices, distribution centers, and retail stores.

Minimizing Production and Inventory

Creating apparel requires the review and approval of many product samples. One opportunity to minimize waste is to reduce the number of samples we receive. In 2020, we piloted a digital technology that allows products to be visualized as 3D images instead of being submitted as physical samples. This has reduced the number of physical samples we otherwise would have ordered.



Our corporate headquarters occupies approximately 300,000 square feet designed to meet LEED Gold and Energy Star Certifications.

KIDCYCLE™ Take-back Program

In April 2021, we began piloting KIDCYCLE, a first-of-its kind program to recycle baby and children's clothing in the United States through international recycling leader, TerraCycle®. Through KIDCYCLE, items that would otherwise be discarded can be mailed to TerraCycle and recycled for free. Once collected, the clothing is separated by fabric type, shredded, and recycled into materials for another use, such as home insulation and stuffing in workout equipment and furniture.

Partnering with TerraCycle

We believe that a significant volume of apparel ends up in landfills, and we are seeking sustainable solutions to reduce this waste. We also believe that while parents often pass on or donate their kids' clothes when they've grown out of them, there hasn't been an easy and sustainable way to dispose of them when they finally are no longer wearable. We believe that TerraCycle's experience innovating ways to recycle hard-to-recycle materials and their work with other global brands make them the right partner for our program.

Engaging Consumers

We introduced this new program offering across our media and digital channels. TerraCycle will provide reports on the number of participants and pounds of donated apparel that gets recycled.

In the initial phase, we have limited donations to apparel only as we learn more about volume and logistics. We plan to evaluate potential expansion through our network of retail stores as drop-off locations.

Recycling children's clothing is simple:

- Head to www.terracycle.com/carters to sign up for a TerraCycle account.
 - Then, head to the Carter's baby and kid recycling program page and click "join program for free"
 - Next, fill a box with the baby and kids clothes you intend to discard.
 - Log into your account, download and print your free shipping label.
 - Seal the box, attach your shipping label and drop it off at a shipping location near you.
 - After packages are received at TerraCycle, Rewarding Moments members can earn points.
- For more information on KIDCYCLE, visit www.terracycle.com/carters.



Sustainable Packaging

We are working to identify and utilize more sustainable and recyclable packaging for our products, in our stores, and for the delivery of eCommerce orders.

In 2021, we plan to begin using polybag mailers made from recycled content to fulfill online orders, and intend to include the How2Recycle label to encourage consumers to recycle the packaging.

Managing Our Water Impact

We have been quantifying our water usage since 2019. Based on our 2021 inventory, we believe a majority of our water footprint comes from our indirect operations, specifically the manufacturing of our products.

Due to the complexity of our global supply chain, we are working to better understand these impacts and will seek to improve our water data through the use of the Higg FEM and through further engagement with our manufacturing suppliers.

Energy Consumption	2020	2019	2018 ⁸
Total energy consumption from operations (MWh) ¹	130,178	163,333	172,462
Energy intensity (kWh per square foot) ²	17.22	19.82	20.80
GHG Emissions (metric tons CO ₂ e)			
Total absolute emissions ³	222,649.33	284,569.83	292,329.16
Scope 1 emissions ⁴	6,590.62	6,762.08	6,808.99
Scope 2 (location-based) emissions ⁵	39,845.10	49,393.93	56,420.41
Scope 2 (market-based) emissions ⁶	40,369.79	50,162.05	59,204.43
Scope 3 emissions ⁷	176,213.61	228,413.81	229,099.77
Intensity Metrics			
Emission intensity (metric tons CO ₂ e per million in net sales)	73.63	80.87	84.44
Emission intensity (metric tons CO ₂ e per million units produced)	303.99	339.10	356.45

The data presented have not been audited or assured. Additionally, while every attempt has been made to ensure consistent methodologies for each inventory year, Carter's cautions against year-over-year comparison as inconsistency in data, particularly as it relates to Scope 3 and indirect operations, may still be present.

1. The term "operations" refers to those directly controlled by Carter's. Values include purchased electricity only. Sources are the same as those listed below in "Scope 1 emissions," as more fully discussed in Footnote 4. Where possible, the calculation used direct consumption values. However, in instances where consumption was unknown or only partially reported, estimations were made based on average per-square-foot consumption values of similar locations.

2. The reported value is calculated from reported and estimated electricity usage as described in Footnote 1.

3. Absolute total emissions refer to the total GHG emissions released into the atmosphere due to Carter's activities, as defined by the WRI GHG Protocol. The total absolute emissions presented here are the sum

of the Scope 1, Scope 2 (location-based), and Scope 3 emissions shown in the lines below.

4. Carter's GHG inventory utilized the operational control approach. As such, reported "Scope 1 emissions" are direct emissions from sources controlled by Carter's and include stationary and mobile use of fuels such as natural gas, diesel, and propane, as well as estimated fugitive emissions from refrigerants used in HVAC equipment. Where possible, direct consumption values were used. However, in instances where consumption was unknown or only partially reported, estimations were made based on average per square foot consumption values of similar locations.

5. The GHG Protocol defines Scope 2 emissions as indirect emissions from the use of purchased electricity. Following the GHG Protocol, Carter's elected to report Scope 2 emissions using both the location and market-based approaches. Carter's used emissions factors from the latest release of the EPA eGrid emissions factors (eGrid2019, released Feb 2021) to calculate location-based emissions.

6. In addition to Scope 2 (location-based) emissions, Carter's has elected to report Scope 2 (market-based) emissions. While Scope 2 (location-based) emissions factors are derived from the US EPD eGrid data source, market-based emissions factors are derived where possible, from utility provide specific information. For some facilities in the US, no market-based factors were available. In these cases, Carter's utilized location factors (eGrid) as a proxy. Market emissions factors are not available for many international facilities.

7. Scope 3 emissions are from sources not owned or directly controlled by Carter's, but are related to Carter's activities. These emissions sources include estimated emissions from supplier manufacturing activity, distribution of products, business travel, and waste generation, among other categories. As is commonly understood in the GHG inventory process, Scope 3 emissions tend to be the most difficult to quantify accurately and may require significant estimations due to the complexity of global supply chains. Because of this, companies tend to have Scope 3 emissions that drastically change year over year due to the inclusion of new emissions sources, improved calculation methods, and/or an improved understanding of the environmental impacts within

their supply chain. The GHG Protocol defines 15 Scope 3 categories. Of these categories, the following are included in the reported Scope 3 value: purchased goods and services (supplier manufacturing only—not including life cycle emissions from raw material procurement), upstream and downstream transportation, and processing of waste (landfill waste and wastewater). Improvements that are planned in the future include expanding purchased goods and services to include raw material impacts, business travel, employee commute, fuel and energy-related activities, use of sold products, and end-of-life treatment of sold products.

8. Values for 2018 differ from what was initially published by Carter's. This is primarily due to the addition of expanded emissions sources and methodological changes used for filling in data gaps. Following the guidance in the GHG Protocol, Carter's has recalculated the baseline year of 2018 and has presented those recalculated numbers in this table.

Water Use (million gallons)	2020	2019	2018
Total water use (direct and indirect)	718.70	1,418.15	823.32
Direct operations ¹	23.00	25.73	25.54
Distribution centers	6.04	5.63	5.13
Corporate offices	0.16	0.25	0.60
Retail Stores	16.80	19.84	19.81
Indirect Operations ²	695.70	1,392.42	797.78
Intensity Metrics			
Water intensity: direct only (per million \$ revenue)	0.008	0.007	0.007
Water intensity: direct and indirect (per million \$ revenue)	0.24	0.40	0.24

The data presented have not been audited or assured. Additionally, while every attempt has been made to ensure consistent methodologies for each inventory year, Carter's cautions against year-over-year comparison as inconsistency in data, particularly as it relates to Scope 3 and indirect operations, may still be present.

1. "Direct" refers to Carter's owned operations (e.g., distribution centers, retail stores, corporate offices). Where possible, Carter's water inventory used direct consumption values. However, in instances where consumption was unknown or only partially reported, Carter's made estimations based on the average per square foot water consumption value of similar locations.

2."Indirect" refers to the operations of Carter's suppliers. Due to the uncertainty of supplier information, water use is drastically different year over year. Carter's is exploring the reasons for this and is committed to improving data quality within the Company's environmental reporting framework and supply chain.

Waste (metric tons)	2020	2019	2018
Waste from direct operations ¹	31,373	36,981	35,355
Distribution Centers			
Distribution Centers: Waste to landfill	438	287	416
Distribution Centers: Waste to recycling	2,676	2,853	2,986
Stores²			
Stores - Waste to landfill	13,987	13,235	11,594
Stores - Waste to recycling	14,271	20,606	20,359
Diversion Rate ³	54%	63%	66%

The data presented have not been audited or assured. Additionally, while every attempt has been made to ensure consistent methodologies for each inventory year, Carter's cautions against year-over-year comparison as inconsistency in data, particularly as it relates to Scope 3 and indirect operations, may still be present.

1. "Direct" refers to waste generated at Carter's operated distribution centers and retail stores. Corporate offices were not included due to lack of waste tracking at those locations. Where possible, Carter's waste inventory used direct waste generation values provided by each location. However, in instances where waste generation was unknown or only partially reported, Carter's made estimations based on the average per square foot waste generation value of similar locations. Unlike water and energy, indirect waste generation values from suppliers are not reported due to uncertainty in data quality. Carter's is working to better understand the waste generation profile of suppliers.

2. Due to the location and lease structure of stores, it is difficult for every store to report an annual waste generation value. Between 2018 and 2020, only 10-15% of stores have reported waste values. For stores that could not report waste values, Carter's extrapolated waste and recycling rates submitted by the stores that were able to track this information. Carter's is working to improve waste tracking at all locations.

3. Diversion rate equals waste sent to recycling divided by total waste generated.

GRI Index



General Disclosures (All disclosures listed apply GRI 2016 Standards unless otherwise specified)

Disclosure	Description	Response
102-1	Name of the organization	p. 5
102-2	Activities, brands, products, and services	p. 5
102-3	Location of headquarters	p. 6
102-4	Location of operations	p. 6
102-5	Ownership and legal form	p. 5
102-6	Markets served	pp. 5-6
102-7	Scale of the organization	pp. 5-6
102-8	Information on employees and other workers	As of the end of fiscal 2020, we had approximately 18,000 employees globally. Of these, approximately 14,000 of our employees worked in our retail stores across North America, 2,200 employees worked in our distribution centers, and 1,800 employees worked in our various corporate offices around the world. Approximately 15,200 employees worked in the United States, 2,100 employees worked in Canada, 300 employees worked in Mexico, and 400 employees worked in other countries, including Hong Kong. See also pp. 20-21 .
102-9	Supply chain	pp. 5-6, 23, 31
102-10	Significant changes to the organization and its supply chain	In the first and fourth quarters of fiscal 2020, the Company announced several organizational restructuring initiatives which included a reorganization of staffing models across multiple functions to drive labor savings and increase efficiencies, the consolidation of certain functions into our corporate headquarters in Atlanta, Georgia, and over 100 planned store closures by the end of fiscal 2021.

Disclosure	Description	Response
102-11	Precautionary Principle or approach	The Company conducts a variety of activities to ensure the safety of its products. See pages 34-35
102-12	External initiatives	p. 24
102-13	Membership of associations	p. 24
102-14	Statement from senior decision-maker	pp. 3-4
102-16	Values, principles, standards, and norms of behavior	p. 7
102-18	Governance structure	p. 8
102-40	List of stakeholder groups	pp. 13, 24
102-41	Collective bargaining agreements	As of the end of fiscal 2020, approximately 150 employees were unionized employees, all of whom were in Mexico. This represents less than 1 percent of our employees.
102-42	Identifying and selecting stakeholders	In conducting our CSR issue assessment, the Company sought individuals or data representing the perspectives of wholesale customers, consumers, employees, and shareholders as groups we believe to be essential to our success.
102-43	Approach to stakeholder engagement	We make case-by-case decisions on when and how to engage with stakeholder groups and advocacy organizations based on a variety of business considerations. The Company did not directly engage external stakeholders in the preparation of this report, though priorities raised by some were considered in the development of the content.
102-44	Key topics and concerns raised	We do not generally disclose dialogues with stakeholders. Our CSR issue assessment reflects priorities raised by key stakeholders, and this report describes our plans with regard to some of these.

General Disclosures *(continued)*

Disclosure	Description	Response
102-45	Entities included in the consolidated financial statements	p. 2
102-46	Defining report content and topic Boundaries	pp. 2, 13
102-47	List of material topics	p. 13
102-48	Restatements of information	Not applicable; this is the Company's first report.
102-49	Changes in reporting	Not applicable; this is the Company's first report.
102-50	Reporting period	p. 2
102-51	Date of most recent report	Not applicable; this is the Company's first report.
102-52	Reporting cycle	The Company intends to report annually.
102-53	Contact point for questions regarding the report	Questions and comments may be addressed to CSR@carters.com.
102-54	Claims of reporting in accordance with the GRI Standards	p. 2
102-55	GRI content index	p. 42
102-56	External assurance	This report has not undergone external assurance.

Management Approach Disclosures *(GRI 103)*

Material Topic	Response
Economic	
201: Economic Performance	For information about the Company's management of economic performance, please see Carter's Inc. 2020 Annual Report: https://ir.carters.com/financial-information/annual-reports
Environmental	
301: Materials	pp. 2, 8, 29–35
305: Emissions	pp. 2, 8, 37–38
308: Supplier Environmental Assessment	pp. 2, 8, 37–38
Social	
401: Employment	pp. 2, 8, 15, 17–19
403: Occupational Health and Safety (2018)	pp. 2, 19, 25
404: Training and Education	pp. 2, 18
405: Diversity and Equal Opportunity	pp. 2, 8, 15–17
406: Non-discrimination	pp. 2, 8, 15–17
408: Child Labor	pp. 2, 8, 22–25
409: Forced or Compulsory Labor	pp. 2, 8, 22–25
414: Supplier Social Assessment	pp. 2, 8, 22–25
416: Customer Health and Safety	pp. 2, 34
417: Marketing and Labeling	pp. 2, 46

Topic-Specific Disclosures

GRI Topic	Disclosure	Description	Response
201: Economic Performance	201-2	Financial implications and other risks and opportunities due to climate change	p. 38
301: Materials	301-2	Recycled input materials used	Information unavailable. As part of our goals to use 100 percent sustainable cotton and polyester fibers by 2030 and to use more sustainable packaging, we intend to improve our measurement of the recycled and other sustainable inputs we use.
305: Emissions	305-1	Direct (Scope 1) GHG emissions	p. 40
	305-2	Energy indirect (Scope 2) GHG emissions	p. 40
	305-3	Other indirect (Scope 3) GHG emissions	p. 40
	305-4	GHG emissions intensity	p. 40
308: Supplier Environmental Assessment	308-1	New suppliers that were screened using environmental criteria	Tier 1 suppliers are currently screened on social, but not environmental, criteria. We intend, by 2025, to source only from Tier 1 suppliers that use the Sustainable Apparel Coalition's HIGG Facility Environmental Module (FEM). For more information about our engagement with suppliers on environmental matters, see pages 37-38 .
401: Employment	401-1	New employee hires and employee turnover	p. 21
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p. 19
403: Occupational Health and Safety (2018)	403-9	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	p. 19
404: Training and Education	404-1	Average hours of training per year per employee	p. 18
	404-2	Programs for upgrading employee skills and transition assistance programs	p. 18
	404-3	Percentage of employees receiving regular performance and career development reviews	p. 18
405: Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	p. 20

Topic-Specific Disclosures *(continued)*

GRI Topic	Disclosure	Description	Response
406: Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	<p>While we do not report on specific incidents at this time, we believe that all employees are entitled to work in an environment free from discrimination and strive to provide a work environment free from any form of offensive, disrespectful, harassing, or bullying conduct.</p> <p>As set out in our Code of Ethics, we maintain a “zero tolerance” policy against all forms of harassment involving a protected characteristic under applicable law, regulation, or internal policy, including but not limited to offensive or abusive language or intimidating or threatening behavior. We make clear that there will not be any retaliation against anyone making a good faith report of harassment or bullying. Violations of this policy result in prompt and appropriate preventive and/or remedial action, up to and including termination of employment. If employees believe this policy has been violated, we encourage them to report the incident, including by contacting our Ethics and Compliance Hotline, anonymously if they so choose.</p>
408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	<p>Among our significant apparel Tier 1 sourcing locations, Cambodia and Thailand are two countries that have been identified as having a high average predicted probability of modern slavery by the Global Slavery Prevalence Index of 2018. The Global Slavery Prevalence Index of 2018 is a dataset created by the International Labor Organization (ILO) and the Walk Free initiative, an organization dedicated to combating forced labor and human trafficking. The two organizations created an index to quantify the presence of slavery in most countries, factoring in the presence of forced labor. Child labor and exploitation are included in the Index’s categories of modern slavery.</p> <p>We have no tolerance of forced labor, and we monitor our Tier 1 suppliers and events in the regions where we do business to maintain this standard to the best of our ability. For more information, see p. 25.</p>
409: Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	See response to 408-1, above.
414: Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	p. 23
416: Customer Health and Safety	416-1	Assessment of the health and safety impacts of product and service categories	p. 34
417: Marketing and Labeling	417-1	Requirements for product and service information and labeling	In compliance with legal requirements, we provide information on fibers, country of manufacture, and safe use via care instruction labeling for textile items and consumer instructions. We also provide guidance for hard goods in the <i>Skip Hop</i> product lines.