

# UNIFI, INC.

## COMPENSATION COMMITTEE CHARTER

(as amended as of July 22, 2004)

**1. Purpose.** The purpose of the Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of Unifi, Inc. (the “Company”) shall be to discharge the Board’s responsibilities relating to compensation of the Company’s executive officers. The Committee shall have overall responsibility for designing, approving and evaluating the compensation plans, policies and programs applicable to executive officers of the Company. The Committee shall annually produce a report on executive officer compensation for inclusion in the Company’s proxy statement, in accordance with applicable rules and regulations.

The Committee should develop an executive compensation policy that is primarily based upon the practice of pay-for-performance. In conjunction with this goal, the Committee should strive to create a direct relationship between pay levels and individual performance, corporate performance and returns to stockholders. The Committee should vigilantly monitor the results of its executive compensation policy to assure that compensation payable to executive officers provides overall competitive pay levels compared to peer companies, creates proper incentive to enhance stockholder value, rewards superior performance, and is justified by returns available to stockholders. The Committee shall also be responsible for determining the Company’s policy with respect to the application of Section 162(m) of the Internal Revenue Code of 1986, as amended, and when compensation may be paid by the Company which is not deductible for Federal income tax purposes.

**2. Membership.**

A. Size. The Committee shall consist of not less than three (3) nor more than five (5) directors of the Company, with the specific number of members to be designated by the Board.

B. Independence Requirement. Each member of the Committee must be an independent, non-employee director of the Company, and must further qualify (i) as an “independent director” under the applicable guidelines, then in effect, of the New York Stock Exchange or any other exchange on which shares of the Company’s Common Stock are traded, (ii) a “non-employee director” for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and (iii) as an “outside director” for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended.

C. Appointment of Members. Committee members and the Chairperson of the Committee shall be appointed by the Board, under the advice of the Corporate Governance and Nominating Committee. Each member and the Chairperson shall serve at the pleasure of the Board and for such term or terms as the Board shall determine.

### **3. Meetings.**

A. Number of Meetings. The Committee shall meet at least two times annually, or more frequently as circumstances dictate. The Committee will meet at such times as shall be determined by the Chairperson, or upon the request of any two members of the Committee.

B. Agenda for Meetings. The Chairperson of the Committee, in consultation with the Chief Executive Officer, shall set the agenda for each Committee meeting. At the request of the Chairperson, written materials pertinent to the Committee's review and consideration of agenda items shall be distributed by the appropriate management personnel to the Committee members in advance of each meeting.

C. Quorum for Meetings. A majority of the members will constitute a quorum. A majority of the members present at any meeting at which a quorum is present may act on behalf of the Committee.

D. Telephonic Meetings; Consent in Lieu of Meetings. The Committee may meet by telephone or videoconference, and may take action by unanimous written consent of its members.

### **4. Responsibilities.**

A. Compensation Review. The Committee shall, at least annually, review and approve corporate goals and objectives relevant to the compensation of each executive officer of the Company (including the Chief Executive Officer), evaluate each executive officer's performance in light of these goals and objectives, and set each executive officer's compensation level based on this evaluation. Such compensation shall include, but not be limited to, annual salary, bonus, stock options and other direct or indirect benefits. The Committee shall also provide oversight of management's decisions concerning the performance and compensation of other company officers.

B. Incentive Compensation Plans. The Committee shall annually determine whether the Chief Executive Officer and other executive officers will participate in any annual or long-term incentive plans established for the Company's executive officers or employees. The Committee shall also determine the terms and conditions of each executive officer's participation in such incentive plans. The Committee shall from time to time review and recommend to the Board any changes with respect to the Company's incentive compensation plans.

C. Equity-Based Plans. The Committee shall administer and grant stock options to the Company's officers, employees and consultants pursuant to the 1999 Unifi, Inc. Long-term Incentive Plan, and other equity-based plans of the Company in effect from time to time. The Committee shall from time to time review and recommend to the Board any changes with respect to the Company's equity-based plans.

D. Employment Agreements. The Committee shall make recommendations to the Board regarding provisions of employment agreements, severance arrangements and change-in-control provisions or other agreements applicable to the Chief Executive Officer. The Committee

shall have the authority in its discretion to establish and approve employment agreements, severance arrangements and change-in-control provisions or other agreements applicable to other executive officers of the Company.

E. Compensation Consultants. Should the Board or the Committee determine that it is necessary or appropriate for the Company to retain an independent compensation consultant to assist the Board and/or Committee in the evaluation of director or executive officer (including CEO) compensation, the Committee shall have the sole authority to retain and terminate the compensation consultant, including sole authority to approve the firm's fees and other retention terms.

F. Evaluation of the Committee. On at least an annual basis, the Committee shall, under the advice of the Nominating and Corporate Governance Committee, perform a self-evaluation of the Committee, review the results and report to the Board with findings and recommendations.

## **5. General Provisions.**

A. Restrictions. In the performance of its responsibilities, the Committee shall be subject to the Certificate of Incorporation and By-Laws of the Company, as amended from time to time, together with all other relevant provisions of the New York Corporation Law, as amended, and all applicable rules and regulations of the United States Securities and Exchange Commission or any exchange on which shares of the Company's Common Stock are traded.

B. Reports. The Chairperson of the Committee shall (i) see that minutes and appropriate records of all meetings of the Committee are kept, and (ii) deliver a summary of key actions of the Committee to the Board.

C. Changes. This Charter shall not be amended or modified without the approval of the Board. This Charter shall be reviewed at least annually by the Committee to assess the Committee's performance of its responsibilities hereunder and to determine if changes should be made to this Charter.

D. Delegation. Except as otherwise prohibited, the Committee may delegate its responsibilities to subcommittees or individuals, as the Committee may deem appropriate in its sole discretion.