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# SUSTAINABILITY REPORT

*Fiscal Year 2015*



**COACH**

NEW YORK

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# WELCOME

Welcome to *Coach, Inc.'s Sustainability Report*. Sustainability is a journey that we have been walking for many years. We have designed this report to outline our long-term strategy and programs in hopes that this information will be useful for our customers, suppliers, business partners, employees, community members, and investors, as well as interested parties in the government and non-governmental arenas.

## ABOUT THIS REPORT

We have prepared this report using the G4 guidelines of the Global Reporting Initiative (GRI) In Accordance, Core, a recognized global standard for such reporting. A GRI index – which notes the GRI indicators covered in this report and includes additional substantive information about Coach – is available at the end of this report. Currently, Coach does not externally assure our sustainability report. For additional information on the GRI, please visit [www.globalreporting.org](http://www.globalreporting.org).

Additional information about Coach – including our Annual Report on Form 10-K, and governance documents, as well as information on our Global Business Integrity Program and Global Operating Principles – can be found on our website at <http://www.coach.com/governance-document.html>.

This report and the data contained herein covers only the Coach brand, and has not been expanded to include the Stuart Weitzman brand, which was acquired by Coach, Inc. in May of 2015. We expect to have partial data in fiscal year 2016 for Stuart Weitzman, and complete data by the end of fiscal year 2017.

*This document contains forward-looking statements based on management's current expectations. These statements can be identified by the use of forward-looking terminology such as "may," "will," "plan," "should," "believe," "next," "develop," "expect," "confident," "trends," "further evolve," "forward," "future," "intend," "estimate," "on track," "are positioned to," "on course," "opportunity," "continue," "project," "guidance," "target," "forecast," "anticipated," or comparable terms. Future results may differ materially from management's current expectations, based upon risks and uncertainties such as expected economic trends, the ability to anticipate consumer preferences, the ability to control costs, etc. Please refer to Coach's latest Annual Report on Form 10-K, and its other filings with the Securities and Exchange Commission, for a complete list of risks and other factors.*

# COACH AT A GLANCE IN FISCAL 2015

## OUR BUSINESS

Coach, Inc. is a leading New York design house of modern luxury accessories and lifestyle brands. The Coach brand was established in New York City in 1941, and has a rich heritage of pairing exceptional leathers and materials with innovative design.

Coach is sold worldwide through Coach stores, select department stores and specialty stores, and through Coach's website at [www.coach.com](http://www.coach.com). In 2015, Coach acquired Stuart Weitzman, a global leader in designer footwear, sold in more than 70 countries and through its website at [www.stuartweitzman.com](http://www.stuartweitzman.com).

Coach, Inc.'s common stock is traded on the New York Stock Exchange under the symbol COH and Coach's Hong Kong Depository Receipts are traded on The Stock Exchange of Hong Kong Limited under the symbol 6388.

As of fiscal 2015 year-end (June 27, 2015):

Number of employees worldwide: 16,843

Global Corporate Employees: 2,956

Global Retail Employees: 13,887

Net Sales: \$4.19 billion

Operating Income: \$618 million

Net income: \$402.4 million

Countries in which Coach products are sold: 45

## OUR LOCATIONS

Corporate Operations in 11 countries

Coach Offices: 20

Distribution Centers: 2

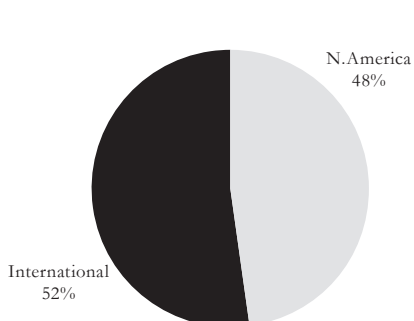
Contract Manufacturing in 21 countries

## OUR PRODUCTS

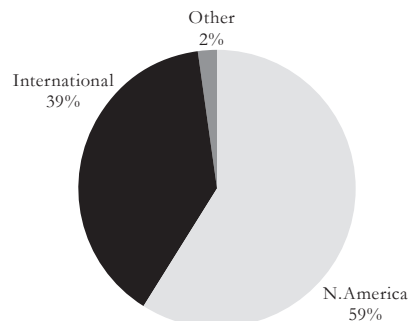
Coach products include women's and men's bags, small leather goods, women's footwear\*, men's footwear, outerwear, ready-to-wear, watches\*, weekend and travel accessories, scarves, eyewear\*, fragrance\*, jewelry and related accessories.

\*licensed products

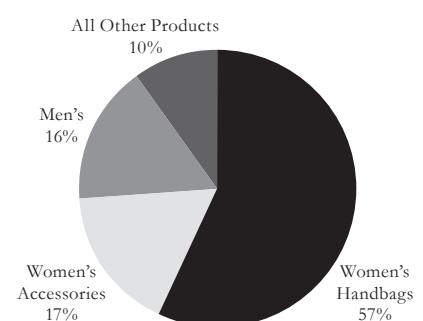
### COACH OPERATED STORES



### GLOBAL NET SALES



### NET SALES BY CATEGORY\*





# A MESSAGE FROM OUR CEO



At Coach, Inc. we pride ourselves on many things – our 75-year history as the Original American House of Leather; our employees, who embody our most strongly held beliefs – our Coach Values; and our evolution into the company that defines global modern luxury. But throughout our history, one of the things I am proudest of is our commitment to being a good corporate citizen in the way we conduct business and support our communities.

Coach's *Global Business Integrity Program* serves as the foundation for our commitment to sustainability and social practices, and largely dictates our day-to-day operations. Built on four principles and philosophies – our Global Business Code of Conduct, our Global Operating Principles, our Anti-Corruption Policy and our Supplier Selection Guidelines – the Program lays the groundwork for our expectations regarding the ethical and legal responsibilities of Coach's employees and strategic partners.

The following sustainability report is a reflection of these expectations at work; it outlines the current state of Coach's social, environmental, and economic efforts, both qualitatively and quantitatively. It showcases just how far we've come, and what we have planned for the future to remain a good corporate citizen.

Highlights of this report include:

- The launch of our 2016–2020 corporate sustainability goals;
- The results of our first Carbon Disclosure report;
- Our increased recycling rate to 85% at our New York and New Jersey corporate offices;
- Our animal welfare policy that addresses the way we use animals in our products; and
- The Coach Foundation, which has donated over \$30 million to the nonprofit sector since making its first grant in 2009, and has an endowment of over \$100 million in 2015.

As you'll see, we're proud of our accomplishments, and we'll continue to challenge ourselves to do more. We began our sustainability reporting journey in fiscal 2013, and as the world has changed around us, so has the way in which we conduct business. With change, however, comes opportunity, and we recognize that while we have made considerable strides in such a short time, there is also the opportunity to rethink and reevaluate how we meet the sustainability challenges ahead of us.

We're all accountable when it comes to taking care of the world around us, and with the support of our employees, partners and customers, we look forward to continued progress. I invite all of our stakeholders to read through this report for a look into Coach's dedication to the people we work with, the products we design, and the environment we share.

Thank you for taking the time to review this report. We welcome your *feedback* and involvement.

A handwritten signature in black ink, appearing to read "Victor Luis". The signature is fluid and cursive, with a large initial "V" and "L".

Victor Luis  
Chief Executive Officer

# A BRIEF HISTORY

Our objective is to be a socially sensitive corporate citizen in the locations in which we conduct business. Our promise to good environmental practice is outlined in our Global Operating Principles.<sup>1</sup> Coach is committed to full compliance with all environmental rules, regulations, and standards applicable to its operations. Coach will observe environmentally conscious practices in all locations where the corporation operates. Using this as a foundation we continue to evolve our understanding of positive corporate citizenship and will continue to build our sustainability program.

## A RICH HERITAGE

Coach was founded in 1941 as a family-run workshop. In a Manhattan loft, six artisans handcrafted a collection of leather goods using skills handed down from generation to generation. Discerning consumers soon began to seek out the quality and unique nature of Coach craftsmanship.

Now greatly expanded, Coach continues to maintain the highest standards for materials and workmanship. Coach's exceptional work force remains committed to carefully upholding the principles of quality and integrity that define the company. We attribute the prominence of the Coach brand to the unique combination of our original American attitude and design, our heritage of fine leather goods and custom fabrics, our superior product quality and durability and our commitment to customer service.



<sup>1</sup> For additional information on Coach's Governance Structure, Global Business Integrity Program, Global Operating Principles, and Supplier Selection Guidelines, please refer to the Corporate Governance section (page 12) or to the governance section on our company website: <http://www.coach.com/governance-document.html>.



## DEFINING MODERN LUXURY

Coach is a leading American design house of modern luxury accessories. Our product offerings include fine accessories and gifts for women and men, including handbags, men's bags, women's and men's small leather goods, footwear, outerwear, watches, weekend and travel accessories, scarves, sunwear, fragrance, jewelry and related accessories. Continued development of new categories has further established the signature style and distinctive identity of the Coach brand. Together with our licensing partners, we also offer watches, women's footwear, eyewear and fragrance bearing the Coach brand name in select department stores and specialty retailer locations.





## BROAD REACH

Coach's distribution strategy is multi-channel. As of June 2015, there were over 450 Coach stores in North America, and over 500 directly-operated locations in Asia and Europe. Coach also operates e-commerce websites in the United States, the United Kingdom, Canada, Japan, China, and Australia (operated by distributor), with informational websites in over 20 other countries. Beyond the company's direct retail businesses, Coach has built a strong presence globally through Coach boutiques located within select department stores and specialty retailer locations in North America, and through distributor-operated shops in Asia, Latin America, the Middle East, Australia, and Europe.



## CRAFTING THE FUTURE

Coach is a global leader in premium bags and accessories. Building upon our strong brand and business equities, we are in the process of transforming from an international accessories business to a global lifestyle brand, anchored in accessories, presenting a clear and compelling expression of the Coach woman and man across all product categories, store environments and brand imagery. In addition, we are leveraging the global opportunity for Coach by raising brand awareness and building market share in markets where Coach is underpenetrated.

In May 2015, Coach acquired Stuart Weitzman, a leading designer and manufacturer of women's luxury footwear. Similar to Coach, it is a brand built on offering innovation, relevance, and value to a loyal customer base, and is known for its craftsmanship and quality – merging fashion and function.

Coach's corporate headquarters remain in midtown Manhattan on 34th Street, in the location of our former factory lofts. Coach is a publicly traded company listed on the New York Stock Exchange, under the symbol COH, and Coach's Hong Kong Depository Receipts are traded on The Stock Exchange of Hong Kong Limited under the symbol 6388.

# DEVELOPING OUR SUSTAINABILITY STRATEGY

Sustainability is one platform of a comprehensive corporate-wide strategic plan. The development of Coach's strategy in this area has been an iterative process over several years. Since its initial 2008 investigation into sustainability, Coach has developed a strong sustainability strategy, implementing energy saving measures and identifying internal programs that were already in existence. In 2015, Coach completed another round of best practices surveys and established a long-term strategy for fiscal 2016 through 2020.

We have taken a holistic approach in an effort to enhance and formalize our existing sustainability efforts, as well as use creativity and innovation to embrace opportunities and face challenges.

## INDUSTRY GROUP MEMBERSHIP

Coach, Inc. is a member of several industry groups, which provides us with a resource to compare best practices, supplement strategy, and allow for collaborative cross-industry learning. We are currently a member of the American Apparel and Footwear Association (AAFA), and an active participant and member of the Social Responsibility Committee, the Environmental Committee, and the Product Safety Council. Our engagement in the AAFA helps us identify major and minor environmental and social risks and opportunities and how other organizations in our industry have addressed those issues. Coach is also a member of the Leather Working Group, a group of brands, retailers, product manufacturers, leather manufacturers, chemical suppliers and technical experts that have worked together to develop an environmental stewardship protocol for the leather manufacturing industry. In early 2015, Coach joined the Sustainability Leadership Forum, a multi-industry group of companies in cities across the United States. The forum is a non-competitive group that is a resource for best practices and cross-industry learning. It operates in Atlanta, Chicago, Dallas, New York, Philadelphia, and London.

## MATERIALITY ASSESSMENT

In 2015, we conducted a comprehensive materiality analysis to identify the issues of most importance to our company and its stakeholders. As part of this process we assessed external stakeholder perspectives as well as current and emerging sustainability issues. The analysis consisted of a matrix outlining which Global Reporting Initiative v4 aspects were most commonly mentioned as important issues by our stakeholders (Figure 1). We evaluated issues for their importance to our stakeholders, potential impact on Coach's business, and our degree of influence on the issue. The materiality analysis uncovered several relevant issues to Coach and the global community, such as product and employee safety, restricted substance compliance, material selection, employee engagement, energy management, and emissions, effluent and waste.



Figure 1: Topics of concern for our stakeholders. Size of text denotes frequency of response.

Our materiality analysis solidified our belief that our four pillars, as outlined above by our CEO, and set forth below, were the best way to organize our sustainability strategy. Additionally, the materiality analysis identified areas within each of the pillars for Coach to focus on when setting our long-term sustainability goals, which are set forth below. These goals reflect our core values, and our focus on customer needs and the organizational commitment to corporate social responsibility and sustainability.

## **EMPLOYEE ENGAGEMENT**

Coach will attract the best talent and engage our employees by providing opportunities to succeed personally and professionally in a supportive, positive, and diverse working environment.

## **SUPPLY CHAIN STEWARDSHIP**

Coach will collaborate with our raw material suppliers and manufacturing partners through social audits, unannounced visits, and training to ensure that the locations where our materials and products are produced follow the highest labor standards.

## **ENVIRONMENTAL CONSERVATION**

Coach will continuously improve our data collection and analysis to provide us with the information required to make actionable decisions to conserve and reduce our energy consumption, waste production, and overall environmental impact.

## **COMMUNITY EMPOWERMENT**

Coach will support the local communities in which we operate through the Coach Foundation's support of women's initiatives, education initiatives, and projects that enhance the environment.

Our Manager of Corporate Sustainability Strategy, under the direction of senior management, is responsible for finalizing the strategy elements, including metrics and key performance indicators, and driving progress through partnerships with the appropriate areas and departments at Coach.

## **OUR FISCAL 2016–2020 SUSTAINABILITY GOALS**

In order to demonstrate Coach's commitment to sustainability and social responsibility, we are announcing our first set of public targets, to be achieved by the end of our 2020 fiscal year. The goals build on some of our achievements to date and work to address areas that are aligned with the United Nations Sustainable Development Goals. The targets focus on areas of our operations where we see areas for improvement, as well as the chance to continue to set high standards for ourselves.

Our 2020 targets are listed below:

- Implement Coach's new Animal Welfare Policy across the organization by the end of fiscal year 2016.
- Reduce absolute CO<sub>2</sub>e emissions by 15% over a 2014 baseline by the end of fiscal year 2020.
- Improve Coach's water resource management and track water usage at corporate locations by the end of fiscal year 2017, and in North American retail locations by the end of fiscal year 2020.
- Achieve a 100% waste-to-landfill diversion rate by the end of fiscal year 2020 in corporate locations.
- Achieve a score of 100 on the Human Right's Campaign's Corporate Equality Index annually.

Coach will provide an annual update in this report regarding progress on these goals.

# REPORT PARAMETERS: PROFILE, SCOPE AND BOUNDARY

The boundaries of this report vary from section to section, and are a function of the accessibility of relevant data. Coach is a global organization with offices in Asia, Europe, and North America. We also have a global store network. We have done our best to provide performance data for Coach owned, operated, and leased office and distribution facilities, as well as our leased North America stores. In some instances we are able to share performance data from some of our larger office facilities in Asia. The data shared in this report comes predominantly from our New York and New Jersey facilities, our Jacksonville, Florida Distribution Center (JAX), our Coach Japan, Hong Kong, Vietnam, Donnguan and Philippines corporate offices and our North America Retail and Outlet Stores. Additionally, we recognize that we have influence with many of our raw material suppliers and our service providers; where possible, we have shared data about those operations, though we do not control, own or lease those facilities. We try our best to define the scope of any quantitative values reported throughout this report as well as the associated time period that the data represents. At a minimum, data will represent the most recent full fiscal year, fiscal 2015.

We have emissions data for ten out of seventeen office and distribution facilities that represent 90% of our worldwide office and distribution square footage. Coach's energy management service collects energy data for North American stores. The calculated emissions for North America Retail and Outlet stores for fiscal 2014 and fiscal 2015 represent 56%, and 50%, respectively, of our North American store square footage. The data for North America stores represents 50% of our global leased retail square footage. From this data we have calculated an estimated carbon footprint for our Global Retail and Outlet stores.

Four of Coach's product categories are managed by licensees: women's footwear (Jimlar), eyewear (Luxottica), watches (Movado), and fragrance (Estee Lauder). We do not report any information on their sustainability efforts. Our men's footwear product category is now managed in-house. In the third quarter of fiscal 2015, Coach, Inc. announced the purchase of Stuart Weitzman, a luxury shoe designer. Stuart Weitzman was officially acquired by Coach in the fourth quarter of fiscal 2015. Due to the timing of the acquisition, and an extensive on-boarding process, Stuart Weitzman is not included in this report. We anticipate having some partial data for our fiscal 2016 report, and full data by our fiscal 2017 report.

Coach is still evolving its data collection and measurement processes. In 2012, Coach hired an energy management service that collects energy and utility data for our North American Retail and Outlet Stores. Additional energy data is manually collected from utility bills and recorded in spreadsheets for Coach's New York and New Jersey Headquarters, as well as our JAX distribution center and our larger international offices (Vietnam, Hong Kong, China). We used the World Resources Institute (2012), GHG Protocol tool for stationary combustion (version 4.4) to calculate our Scope 1 and 2 emissions from on-site combustion and purchased electricity. For our Scope 3 emissions, we utilized the World Resources Institute (2012), GHG Protocol tool for Category 9, downstream transportation and distribution, and Category 7, employee commuting.

Recycling data for our New York and New Jersey offices, as well as JAX, was provided by our waste management service provider. All other performance data was obtained from various department procedures as well as enterprise databases and software. Coach uses data-collecting methodologies based on specific criteria, procedures, and processes outlined by business needs. These include, but are not limited to, computer software applications (e.g., SAP, Energy Management Systems, Building Management Systems), surveys, GAAP (Generally Accepted Accounting Principles), and manual data collection.

In our third year of reporting, we have made no re-statements of information. Changes in scope include the inclusion of new offices and stores. There have been no significant changes to boundary or measurement methodology. Stuart Weitzman is not included in any of this data.

As Coach continues to collect data, improve existing programs, and focus on new initiatives, we plan to publish subsequent reports on an annual basis. Questions, comments, or feedback regarding this report or any of Coach's sustainability programs should be directed to [sustainability@coach.com](mailto:sustainability@coach.com).



# CORPORATE GOVERNANCE

Coach's governance, compliance, and strategic position are overseen by our Board of Directors, Executive Officers and other senior management. The Board is comprised of capable and experienced directors who are currently or have been leaders of major companies or institutions and are independent thinkers with a wide range of expertise and skills. Coach's Board provides the highest level of oversight in our organization and has separate, independent Human Resources, Audit, and Governance and Nominations (GN) Committees.

As of the end of fiscal year 2015, Coach's Board consisted of nine directors, eight of whom are independent as defined by New York Stock Exchange standards. Coach does not have a policy regarding diversity of the Board, but does recognize its value and is proud that two of the eight independent directors are women. In addition, the GN Committee considers the Board's overall composition when considering Director candidates, including whether the Board has an appropriate combination of professional experience, skills, knowledge and variety of viewpoints and backgrounds in light of the Company's current and expected future needs.

The Corporate Governance Principles, as approved by the Board of Directors and posted on our website, set forth qualifications and criteria for our Directors. The GN Committee's charter provides that in evaluating Director candidates, the GN Committee shall take into account all factors it considers appropriate, which may include business skills and experiences, prominence and reputation in their profession, concern for the best interests of the organization, strength of character, mature judgment, career specialization, relevant technical skills, diversity and the extent to which the candidates would fill a present need on the Board of Directors. The GN Committee's process includes identification of director candidates and evaluation of the candidates based on the Corporate Governance Principles and the following minimum qualifications:

- The highest personal and professional ethics, integrity and values;
- Commitment to representing the long-term interests of the stockholders;
- An inquisitive and objective perspective, practical wisdom and mature judgment;
- Freedom from significant conflicts of interest;
- The willingness and ability to devote the time necessary to perform the duties and responsibilities of a director; and
- A commitment to serve on the Board for an extended period of time.

The GN Committee's selection process also provides for engagement of third-party search firms, interviews with various members of the Committee, the Board and management, and an evaluation of each individual in the context of the Board as a whole, applying the criteria that it deems appropriate. The final selection of nominees is made by the Board of Directors. The GN Committee will consider all candidates recommended by stockholders in accordance with the timing and other procedures established in Coach's Bylaws for stockholder nominations. Recommendations should be submitted in writing to the Secretary and General Counsel of Coach at 516 West 34th Street, New York, New York 10001 U.S.A.

The Board of Directors and each committee of the Board of Directors conduct an annual self-evaluation, which includes an evaluation by each Director of the performance of Coach's Chief Executive Officer, the other Directors, each committee and the Board as a whole. The results of these evaluations are discussed with the Board and committee members once completed.

On an annual basis, all business units are analyzed for risk related to corruption. Additionally, all corporate employees at the manager level and above, as well as all retail store managers, are trained in Coach's anti-corruption policies and procedures, which are 48% and 24% of corporate and retail employees respectively. Coach has adopted a policy which permits stockholders and interested parties to contact the Board of Directors. To report complaints or concerns about Coach's accounting, internal accounting controls, auditing or legal matters directly to Coach's Board of Directors and/or Audit Committee, stockholders may go to [www.coachinc.ethicspoint.com](http://www.coachinc.ethicspoint.com) or call 1-800-396-1807. The Coach Ethics and Compliance Reporting System is manned by an independent service taking confidential (and if desired, anonymous) messages on behalf of Coach. Further information on this policy, as well as information on compensation and performance, is available to security holders on Coach's website, [www.coach.com](http://www.coach.com), through the Corporate Governance page.



# RISK MANAGEMENT

Coach's general approach for identifying significant risks and opportunities relies on our management's evaluation of current events and its expectations regarding future developments. We have an Enterprise Risk Management program that annually assesses risks—including fraud risk, corporate governance and social responsibility—to our business and the businesses of our partners.

As a part of the annual risk evaluation, Coach develops an Internal Audit Plan. The goal of the risk assessment process is to create an audit plan that identifies risks and exposures and evaluates management's risk mitigation strategy. Risk assessment phases include:

- Identification of major processes and business units which define the audit universe;
- Documentation of significant enterprise risks that could impede Coach from achieving business goals and objectives;
- Interviews with key business leaders to gauge expectations and obtain consensus on degree of risk; and
- Analysis of business areas and identification of the most appropriate audit coverage.

Coach's risk management is overseen by the Audit Committee of the Board of Directors; however, management is primarily responsible for day-to-day risk management processes. Additionally, management periodically updates the Board on its continuous monitoring of the Global Business Standards Hotline, and the risk of fraud.

Coach's senior management and its Board of Directors are continuously evaluating sustainability risks associated with Coach's operations, including, but not limited to, product safety and material compliance requirements, disruptions to the supply chain from adverse weather, and material scarcity, such as reduced herd size or poor cotton yields from drought.

In evaluating risk, the Board and its committees consider whether the Company's risk programs adequately identify material risks facing the Company in a timely fashion, implement appropriate responsive risk management strategies, and adequately transmit necessary information with respect to material risks within the organization. The Audit Committee of the Board of Directors, in its oversight role, periodically reviews the Company's risk management policies and programs to ensure risk management is consistent with the Company's corporate strategy and effective in fostering a culture of risk-aware and risk-adjusted decision-making throughout the organization.

# ENGAGING OUR STAKEHOLDERS

A core Coach value is that customer satisfaction is paramount and our responsibility to internal and external stakeholders requires impeccable service to ensure that the customer's needs are met whenever possible. We attempt to take the same approach when engaging with all of our stakeholders. We identify our stakeholders as those groups or individuals who are impacted and influenced by, or who can impact, our company. They are a diverse group, yet each with specific needs. We work hard to engage all of our stakeholders in sincere and honest dialogue, and when requested and if feasible, to provide accurate and actionable information through public channels in a timely fashion. We engage with each of our stakeholders as often as required by the relationship. The following table outlines some of our stakeholder groups, topics of discussion, and examples of how we engage with them.

STAKEHOLDER GROUP	EXAMPLES OF ENGAGEMENT	ENGAGEMENT TOPICS
Customers	<ul style="list-style-type: none"> <li>• Face-to-face engagement with sales associates</li> <li>• Company websites (e-commerce in five countries; informational sites in over 25 countries)</li> <li>• Social Media/Email (Instagram, Pinterest, Facebook, Twitter, blogs, Sina Weibo, etc.)</li> </ul>	Product information; Quality concerns; Promotions
Employees	<ul style="list-style-type: none"> <li>• Internal intranet (Coachweb)</li> <li>• Internal communications (email, posters, message boards, etc.)</li> <li>• Biennial employee engagement survey</li> <li>• Meetings (store manager conferences, company town hall, department town hall)</li> </ul>	Administrative; Business updates; Employee feedback; Employee benefits
Communities	<ul style="list-style-type: none"> <li>• Giving time and resources through the Coach Foundation</li> <li>• Team building meetings with a service component</li> <li>• Regional employee volunteering</li> </ul>	Corporate giving; Education; Coach Foundation mission
Suppliers	<ul style="list-style-type: none"> <li>• Supplier summits</li> <li>• Adherence to Supplier Selection Guidelines and Global Operating Principles</li> <li>• Certificate of Compliance</li> <li>• Adherence to Animal Welfare Policy</li> </ul>	Manufacturing requirements and timeline; Quality concerns
Nonprofits/NGOs	<ul style="list-style-type: none"> <li>• Direct engagement on sustainability objectives</li> <li>• Focused feedback on sustainability activities</li> </ul>	Sustainability reporting; Climate change; Human rights
Government Entities	<ul style="list-style-type: none"> <li>• Engagement on regulatory issues</li> <li>• Adherence to laws where we operate</li> <li>• Counterfeit training with customs and border patrol</li> </ul>	Training; Compliance; Regulations
Investors/Media	<ul style="list-style-type: none"> <li>• Regular financial reporting (e.g., SEC and HKEx filings)</li> <li>• Press releases, meetings and briefings</li> <li>• Quarterly earnings calls</li> <li>• Annual stockholder meeting</li> </ul>	Business and earnings updates; Financial reporting; Sustainability reporting

# PILLAR 1: EMPLOYEE ENGAGEMENT

At Coach, we believe an inspirational and modern work environment is where exceptional talent thrives. We nurture a culture infused with creativity, innovation, entrepreneurship, learning and achievement.

As the first pillar of our sustainability strategy, *Employee Engagement* is how we empower our employees to create a distinctly modern Coach culture – one that is uniquely ours and sets us apart as an employer, a brand, and a company. Most importantly, the right employee engagement tools help our people succeed personally and professionally.

The most powerful tool we use today is Coach Expectations, which we launched in 2015. Coach Expectations are guidelines to describe what we expect from one another using a common vocabulary that reflects our values:

- We see possibility in the impossible.
- We nurture authenticity.
- We integrate individuality and teamwork.
- We fuse creativity and logic.

Through our Expectations, we've set clear goals across three key roles/levels that are aspirational, but achievable, to help us – and our employees – grow and improve.

We know that we are a group of inspired, talented, and diverse individuals who work collaboratively to drive the continued success of our brand, and we continue to recruit employees who will help us raise the bar. The following sections outline how we are committed to maintaining the very best Coach culture and work environment for our people.

## OUR GLOBAL WORKFORCE

Coach's workforce is a mix of corporate employees (including our distribution center), and a retail field team comprised of store management and full- and part-time sales associates. As of October 2014, Coach no longer has any employees affiliated with a union. The data below does not include Stuart Weitzman employees.

### CORPORATE EMPLOYEES BY COUNTRY OR REGION BY TYPE (AS OF 6/27/2015)

<i>Country</i>	<i>Full Time</i>	<i>Part Time</i>	<i>Intern</i>	<i>Temp</i>	<i>Total</i>
United States	1,792	7	106	5	1,910
China (incl. Hong Kong & Macau)	341	0	0	33	374
Japan	211	0	0	20	231
Europe	81	2	4	7	94
Other*	297	0	1	49	347
Total	2,722	9	111	114	2,956

### RETAIL EMPLOYEES BY COUNTRY OR REGION BY TYPE (AS OF 6/27/2015)

<i>Retail Employees</i>	<i>Full Time</i>	<i>Part Time</i>	<i>Seasonal</i>	<i>Temp</i>	<i>Total</i>
North America	2,966	4,342	453	0	7,761
Japan	1,327	625	0	0	1,952
China (incl. Hong Kong & Macau)	1,816	0	269	616	2,701
Other†	1,000	2	3	51	1,056
Europe	252	119	46	0	417
Total	7,361	5,088	771	667	13,887

\* India, Malaysia, Philippines, Singapore, Taiwan, Thailand. † Korea, Vietnam, Malaysia, Singapore, Taiwan.

Although we do not have a specific policy granting preference to local residents when hiring in significant locations of operation, we can report that just 4% of Coach's leadership, defined as Divisional Vice President and above, at our international corporate offices are American expatriates.

Coach believes that its relations with its employees are good, and has never encountered a strike or work stoppage since becoming a publicly traded company.

We work to ensure the long-term success of our employees, however, like any business, we do have annual turnover. We track and analyze voluntary and involuntary turnover across our operations, by geography and department, to understand how we can better foster engagement and retention.

## DIVERSITY

The foundation of our corporate culture is based on understanding and acceptance. Coach believes in the dignity of all people and respects the laws, values, and customs of the communities in which we operate. We believe a diverse workforce makes a difference, and recognize each employee's knowledge and skills as an important source of organizational capability and competitive advantage. We welcome diversity in all forms and emphasize personal accountability and professionalism in a respectful and fair work environment.

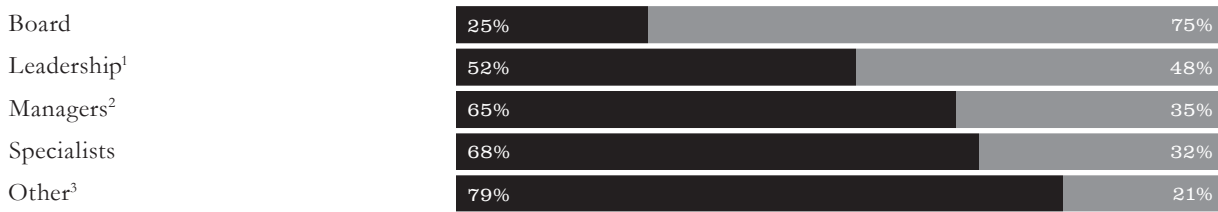
Coach is an affirmative action employer committed to a policy of equal opportunity, and we pride ourselves on hiring and developing the best people. All employment decisions (including recruitment, hiring, promotion, compensation, mobility, training, discipline and termination) are based on the applicant's or employee's qualifications as they relate to the requirements of the position under consideration. These decisions are made without regard to age, sex, genetic characteristics, race, color, creed, religion, ethnicity, national origin, sexual orientation, gender identity, alienage, citizenship, disability, marital status, military status, pregnancy, or any other legally-recognized protected basis prohibited by applicable law. Additionally, Coach will investigate all complaints of discrimination, to the extent permitted by applicable laws, and where necessary, take action to eradicate all forms of such conduct.

Coach tracks the diversity of its workforce by gender, generation and ethnicity, where legally permissible, as self-disclosed by employees. Coach also tracks its leadership diversity both in the U.S. and Puerto Rico and globally. Non-Caucasians represent 22% of Coach's global leadership workforce.

## GLOBAL EMPLOYEE GENDER DIVERSITY (2015)

■ Female % ■ Male %

### Global Corporate Employees



### Global Retail Employees



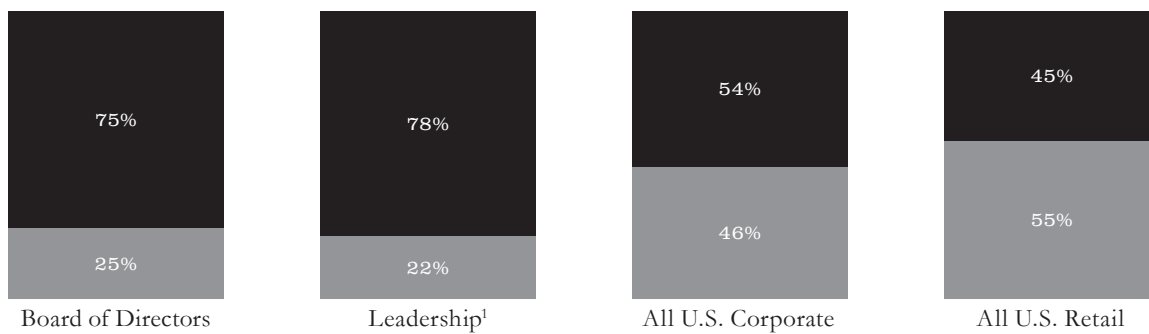
### Global Employees Overall



1. Divisional Vice President & Up, 2. Manager to Sr. Director, 3. Temps & Interns, 4. Seasonal (November 15, 2014 to February 14, 2015)

## ETHNIC DIVERSITY: U.S. & PUERTO RICO (2015)

■ % Caucasian ■ % Minority



1. Global Leadership Diversity: 22% Non-Caucasian & 78% Caucasian

## HUMAN RIGHTS CAMPAIGN CORPORATE EQUALITY INDEX



Coach achieved its second 100% score on the Human Rights Campaign Corporate Equality Index's (CEI) "Best Places to Work for LGBT Equality" in 2016. This recognition covers fiscal 2015. The CEI is the U.S. national benchmarking tool on corporate policies and practices pertinent to lesbian, gay, bisexual and transgender employees.

Coach is committed to equality for its employees and their spouses or partners. Our Equal Employment Opportunity policy is inclusive of sexual orientation and gender expression or identity. Coach has instituted equivalent spouse and partner benefits for medical, dental, and vision dependent coverage. We also provide equal benefits in terms of bereavement leave, employer-provided supplemental life insurance for a partner, relocation/travel assistance, and adoption assistance.

Our health care coverage has also expanded to include coverage for transgender individuals without exclusion for medically necessary care. We also extend benefits for services related to gender transition.

In addition to these benefits, Coach also has a Diversity Council covering a wide range of diversity issues.

We are honored to be one of the CEI's "Best Places to Work for LGBT Equality."

Additionally, as a part of our 2016-2020 Corporate Sustainability Goals, Coach has set a goal and aspires to maintain our 100% score through fiscal year 2020.

## BOARD OF DIRECTORS DIVERSITY

Coach has been recognized by both The Women's Forum of New York and 2020 Women on Boards for the strong female representation on our Board of Directors. The Women's Forum of New York recognizes publicly traded companies who have women sitting on their Board of Directors, and the 2020 Women on Boards is a national campaign whose goal is to increase the percentage of women on Boards at publicly traded companies to 20% or greater by 2020. At Coach, we believe diversity in leadership is critical to our success and we take pride in being a role model company with a third of our Board made up of women.

## PERFORMANCE MANAGEMENT

Through an ongoing, collaborative and dynamic Performance Management cycle focused on annual goals and individual development planning, managers and employees work together throughout the year to support each employee's success in their role and continuous professional learning and growth. Annual performance reviews are conducted for 100% of corporate and retail employees. For eligible employees, performance reviews factor into their bonus and total compensation package, in addition to their base salary.

## LEARNING AND DEVELOPMENT

Learning starts on the first day at Coach and continues throughout our employees' careers. It is an essential part of the Coach experience. Coach is committed to helping its employees develop the knowledge, skills and abilities needed for continued success, and encourages employee development at all levels and at every career stage.

As part of our onboarding process, we identify peer mentors for new hires to help in their transition to Coach and their new roles. Select departments in the company have also established mentoring programs to provide employees with professional development support.

At Coach, our people drive the overall success of our business and are valued for the contributions they make every day. So we believe in the power of a work environment that encourages development at all levels in the company and at every stage of our employees' careers. Coach's dedicated in-house People Development team offers a diverse curriculum focused on professional development for leaders, managers and individual contributors, an array of information sessions to educate employees about different parts of our business, and targeted skill building and team effectiveness sessions for intact teams where appropriate.

Learning and development aligns with our Coach Expectations and is broken into self-development, management development and leadership development.

### *Self-Development*

The Self-Development curriculum is designed to support an individual's development, emphasizing the necessary knowledge, skills, and abilities they need to be successful in their roles and demonstrate our Coach Expectations. Our skill building workshops focus on improving employees' ability to effectively communicate and work productively. Our Discover Coach workshops help employees build knowledge about Coach's business, brand, culture and core processes by hearing directly from internal subject matter experts.

### *Management Development*

The management development curriculum, known as Managing@Coach, equips people managers with the critical skills that they need to manage, engage and develop their teams to ensure we achieve our business objectives. At Coach, we believe there are three elements of a people manager that lead to a high-performing organization: managing self, managing work and managing team. Our Managing@Coach curriculum offers managers the opportunity to develop the essential skills necessary to maximize their leadership potential, manage others effectively, and help their direct reports and teams deliver results.

### *Leadership Development*

Coach also works to develop strong leaders through leadership development programs, workshops and executive coaching. To help leaders build greater self-awareness of their leadership strengths and opportunities, we send selected leaders to participate in a five-day intensive workshop offered by the Center for Creative Leadership (CCL), and pair select leaders with an Executive Coach.

In partnership with Tuck Executive Education at Dartmouth College, we will be offering a custom program to develop current and future VP+ leaders to accelerate our successful transformation as a global, multi-brand, modern luxury company. This program focuses on the development of Coach leaders as a collective team by strengthening their strategic thinking and execution capabilities, and supporting their ability to role model our Coach Expectations and shape our culture.



## COMMUNICATING WITH EMPLOYEES

Coach operates under an “open door” policy, and employees are encouraged to speak openly and freely about their concerns. We strive to create an open environment between associates and managers that promotes dialogue and feedback, and works to foster open discussions about questions and new ideas.

Coach maintains ongoing communication with our employees. Information is shared using a variety of print, electronic and in-person communications. In 2012, Coach launched an updated and enhanced intranet called Coachweb to provide employees with up-to-date information on business events, benefits, and as an online portal to answer any and all employee questions. Additionally, in 2013, Human Resources rolled out Coach Connect, a set of enhanced Human Resources services, tools, and resources to help North American employees meet their HR needs and streamline their employment experience at Coach.

Additionally, Coach conducts a biennial employee engagement survey to measure critical aspects of our culture and work environment. The survey obtains feedback on topics such as management, employee engagement, communication, and work processes. Survey results are also used to address opportunities for improvement. As a follow-up to our 2014 survey, Coach surveyed its management population at or above the level of Divisional Vice President on issues and topics identified in the larger employee engagement survey.

As previously outlined in the Governance section, if employees have any workplace concerns they are encouraged to report it, anonymously if desired, using our Ethics and Compliance Reporting System (1-800-396-1807), or online at [www.coachinc.ethicspoint.com](http://www.coachinc.ethicspoint.com). These mechanisms are available globally, and all concerns are evaluated and investigated.

## BENEFITS AND COMPENSATION

Coach believes in recognizing and rewarding employees with a total rewards package, including competitive pay opportunities, a comprehensive benefits program, ways to save for the future, financial protection, paid time away from work, and important extras available only to Coach colleagues.

The table below outlines some of the many benefits offered at Coach, depending on position and location.

PAY	SAVINGS & RETIREMENT PLANS	FINANCIAL PROTECTION	
<ul style="list-style-type: none"> <li>• Base Salary</li> <li>• Bonus</li> <li>• Stock</li> <li>• Stock Options</li> </ul>	<ul style="list-style-type: none"> <li>• 401(k) Savings</li> <li>• Employee Stock Purchase Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Life Insurance (including Dependent)</li> <li>• Accidental Death &amp; Dismemberment Insurance</li> </ul>	<ul style="list-style-type: none"> <li>• Short-Term Disability</li> <li>• Long-Term Disability</li> <li>• Dependent Care Flexible Spending Account</li> <li>• Business Travel Accident Insurance</li> </ul>
HEALTH INSURANCE	PAID TIME OFF	EMPLOYEE EXTRAS	
<ul style="list-style-type: none"> <li>• Medical</li> <li>• Dental</li> <li>• Vision</li> <li>• Health Care FSA</li> <li>• Employee Assistance Program</li> <li>• Family and Medical Leave of Absence</li> </ul>	<ul style="list-style-type: none"> <li>• Vacation</li> <li>• Holidays</li> <li>• Sick Time</li> </ul>	<ul style="list-style-type: none"> <li>• Coach Product Discounts</li> <li>• Tuition Assistance Program</li> <li>• Matching Gift Program</li> <li>• Employee Referral Bonuses</li> </ul>	<ul style="list-style-type: none"> <li>• Technology Discounts</li> <li>• Transit Program Discounts</li> <li>• Entertainment, Travel &amp; Shopping Discounts</li> </ul>

We aim to offer a competitive benefits program for all corporate and retail employees. The table below outlines retirement and health and welfare benefits by country of operation. In areas where we do not offer retirement or health and welfare benefits, the social programs offered are more competitive than any private offering.

<i>International Employee Benefit Summary</i>	UNITED STATES	CANADA	UNITED KINGDOM	FRANCE	CHINA	JAPAN	HONG KONG	MACAU	VIETNAM	KOREA	MALAYSIA	PHILIPPINES	SINGAPORE	TAIWAN	THAILAND	INDIA
Retirement	✓	✓	✓		✓	✓	✓	✓	✓	✓		✓			✓	✓
Health & Welfare (May include Medical, Life, Accidental Death & Dismemberment, Dental)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓		✓

In addition to the previously outlined benefits offerings, Coach does have a small retirement plan obligation, totaling less than \$10 million USD. The obligation is for our employees in Korea (approximately \$1.3 million USD) and Japan (approximately \$10 million USD). These plans are valued by an actuary and funded from general Company assets.

In addition to regular paid time off, Coach offers two weeks of parental leave paid at 100% their regular compensation to eligible U.S. full-time employees after an individual or their spouse have a child, or have adopted a child. During fiscal 2015, 91 U.S. employees took advantage of parental leave. Parental leave of varying duration, is also available at most of our international locations.

We work to pay all of our employees fairly based upon market research, data, and statistics. We are continually reviewing our compensation programs and try to ensure that our employees are being appropriately and competitively compensated for their level, experience, skills, and contribution.

## ENVIRONMENTAL, HEALTH AND SAFETY

Coach places strong emphasis on the overall health and safety of our employees and their work environments. Whether in our repair shop, our sample making facility or one of our retail locations, we strive to provide a workplace and store environment free from health and safety hazards. Coach makes every effort to integrate health and safety programming throughout the organization.

We have developed workplace health and safety policies customized for both retail and operational work environments, conducted assessments of our compliance with these standards and developed action plans to address any gaps. We monitor workplace incidents to identify and systematically work to eliminate root causes and related hazards.

Our environmental, health, and safety team aspires to eliminate all workplace hazards, accidents, and incidents. In calendar year 2014, the total recordable incidence rate—the number of recordable workplace injuries per 200,000 hours worked—in our U.S. Retail and Corporate facilities was 2.11.

2015*	RETAIL (NORTH AMERICA)	CORPORATE (NORTH AMERICA)	TOTAL
Number of Coach Inc. employees	8,931	2,241	11,172
Worker's Compensation Claims	132	21	153
Time Loss Claims	51	4	55
Hours of exposure	11,121,793	3,359,223	14,481,016
Rate of injury per 200,000 hours worked	2.37	1.25	2.11
Safety/injury incident report	451	40	491
Occupational injury-related fatalities	0	0	0
Experience modification factor	N/A	N/A	N/A

\* Period Control Start Date: Jan. 1, 2014; Period Control End Date: Dec. 31, 2014

# PILLAR 2: SUPPLY CHAIN STEWARDSHIP

The second pillar of Coach's sustainability strategy is Supply Chain Stewardship and states that Coach will collaborate with our raw material suppliers and manufacturing partners through social audits, unannounced visits, and training to ensure that the locations where our materials and products are produced follow the highest labor standards. As Coach expands its global footprint we rely on our Global Operating Principles, which have outlined our belief in conducting all business activities with honesty, integrity and fair dealing, and with high ethical standards.

While all of our products are manufactured by independent manufacturers, we nevertheless maintain certain control over the supply chain process from design through manufacture, including raw material selection. We only partner with the best suppliers, those that offer high quality, technical expertise, competitive costs, on-time delivery, and what we believe to be safe workplace conditions. We are able to do this by qualifying raw material suppliers, establishing longstanding relationships with purveyors of fine leathers and hardware, and by maintaining sourcing and quality control management offices in China, Hong Kong, the Philippines, Vietnam, South Korea, and India that work closely with our independent manufacturers.

Through strategic partnerships with manufacturing facilities that support our belief in human rights, labor rights, and workplace safety, Coach has operated a social compliance program for many years. We are proud of our continued commitment to international human rights, fair labor practices, and decent work standards. We have a committed team dedicated to ensuring that our products are only made in safe and responsible facilities.

Before partnering with a vendor, we share Coach's "Social Compliance Guidelines," an enhanced version of our publicly available "Supplier Selection Guidelines" (page 23) and require our independent manufacturing partners to contractually abide by these guidelines. Additionally, we evaluate each manufacturing facility by conducting a quality and business practice standards audit. Throughout the relationship, Coach regularly conducts periodic evaluations through unannounced audits of all the cut-and-sew factories where we operate. These audits are performed by internal staff as well as through the use of third-party auditors. Lastly, we require our factories to sign a certificate of compliance with the California Transparency in Supply Chains Act of 2010. The success of these programs lies in our ability to implement, monitor, and evaluate the progress of our partners across the supply chain. The following pages provide additional detail on that effort.

## SUPPLIER SELECTION

The global expansion of Coach's business activities into additional countries and diverse cultures requires a commitment to the procurement of products and services in a manner which:

- Is conducive to good global citizenship;
- Will enhance the corporation's reputation and the image of the Coach brand; and
- Will ensure the achievement of Coach's commercial success.

## OBJECTIVE

Coach's objective is to utilize the corporation's purchasing power to influence those from whom the corporation procures products and services to:

- Embrace high standards of ethical behavior;
- Comply with all applicable laws and regulations;
- Treat their employees fairly, and with dignity and respect, so as to promote their welfare and improve their quality of life; and
- Be socially responsible citizens in the countries and communities in which they operate.

The following Supplier Selection Guidelines have been established to ensure a uniform and consistent approach with all suppliers as Coach pursues the aforementioned objectives. Operating management is charged with the responsibility of conducting appropriate due diligence with all suppliers before entering into any business relationship.

## SUPPLIER SELECTION GUIDELINES

“Suppliers” include contractors, joint venture partners and suppliers of goods and services, including raw material suppliers and manufacturing partners.

### *Ethical Standards*

Coach believes in doing business with those suppliers who embrace high standards of ethical business behavior and who demonstrate commitment to those standards through rigorous practices.

### *Legal Requirements*

Coach is committed to full compliance with all laws and regulations in the locations where the corporation operates and conducts business, and will not knowingly operate in violation of any such laws or regulation. Additionally, Coach will not knowingly use suppliers who operate in violation of applicable laws and regulations.

### *Environmental Requirements*

Coach believes in doing business with those suppliers who share the corporation’s commitment to the environment and who pursue practices which conform to applicable environmental standards. Coach expects suppliers to promptly develop and implement plans and programs to correct any non-compliant practices.

### *Employment Practices*

- *Working Hours:* Coach will not knowingly use suppliers who fail to comply with the legal maximum working hours as specified by each country’s standards and laws.
- *Wages:* Coach will not knowingly use suppliers who fail to pay their employees at the local minimum wage.
- *Child Labor:* Coach will not knowingly use suppliers who employ workers in violation of the local mandatory school age, or under the legal employment age in each country. In no case will Coach procure goods or services from firms employing non-family workers under age 15. Additionally, Coach will favor those suppliers who are proactive in contributing to the continued education and betterment of their employees.
- *Forced Labor:* Coach will not knowingly use suppliers of either raw materials or finished product that have been produced by forced labor, or services provided by such labor.
- *Discrimination:* Coach believes that people should be employed on the basis of their ability to do the job, rather than on the basis of personal characteristics or beliefs. Coach will favor doing business with those suppliers who practice this principle. (Personal characteristics include, but are not limited to, gender, race, religion, age, disability, sexual orientation, nationality, political opinion, caste, or social or ethnic origin.)
- *Disciplinary Practices:* Coach will not knowingly do business with suppliers who employ any type of corporal punishment, or other forms of mental or physical coercion.
- *Health & Safety:* Coach believes in doing business with those suppliers who have demonstrated concern for and commitment to the health and safety of their employees. Additionally, this same guideline applies to those suppliers who provide housing to employees.

### *Security Requirements*

In order to develop, enhance, and maintain effective security processes throughout the global supply chain, U.S. Customs and Border Protection (CBP) has implemented the Customs-Trade Partnership Against Terrorism (C-TPAT), which will enable CBP and businesses to verify that their supply chain security measures are accurate and are being followed. The goal of C-TPAT validation by CBP is to enhance the protection of our borders against international terrorism, as well as provide expedited release of cargo, and/or a reduced number of examinations. Coach requires all service providers to be, or become, C-TPAT compliant.

## AUDITS AND PARTNERSHIPS

All of Coach's business partners are contractually required to adhere to our Social Compliance Guidelines. To ensure our service providers and raw material suppliers are fulfilling their obligation, we conduct internal as well as external, independent third party audits. The auditors are experts in the local laws of the countries in which we operate and speak the local languages.

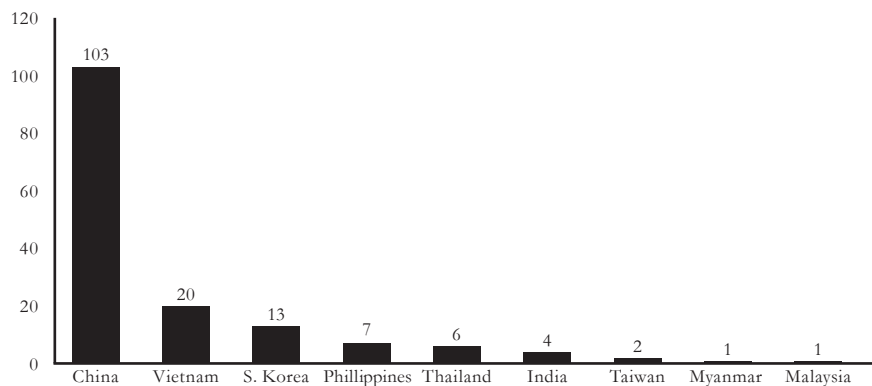
An audit consists of:

- A factory walk-through to evaluate the physical working conditions, as well as health and safety practices;
- Confidential interviews with workers to provide freedom to speak on potential misconduct (forced labor, harassment, etc.); and
- A review of all relevant documentation (e.g. payroll, time records, employee age verification, licensures, certificates, waivers, etc.).

Currently, each factory receives at least one audit per year. However, if a factory visit reveals an issue that requires improvement we conduct a second audit, generally six months after the initial assessment. We maintain a full record of reports on the living and working conditions of people retained to work at factories where our products are manufactured.

In fiscal 2015, our Social Compliance team conducted 157 audits of active factories. The charts below outline our performance.

*Active Audited Service Providers and Raw Material Suppliers by Country (FY15)*



During fiscal 2015, 92% of Coach Service Providers achieved acceptable audit results. Issues found in the 8% that failed included concerns with record keeping deficiencies, gender preference and Hepatitis B testing. Of the raw material suppliers audited, 98% had acceptable results. Issues found in the remaining 2% were due to Hepatitis B testing.

## COLLABORATION AND REMEDIATION

As part of the partnership between Coach and the factories that make our products, at the end of the audit process, if required, our compliance team works diligently with factory managers to outline a corrective action plan which identifies strategies for improvement. During a follow-up audit, these issues are reviewed in detail to ensure that any previously described issues have been resolved.

Our human rights program emphasizes enduring partnerships, mutual respect and trust. Coach will not do business with suppliers who are unwilling to collaborate and work towards a strong observance of international human rights, labor practices and decent work standards. As long as a supplier is willing to partner with us and continuously improve workplace conditions, we strive to nurture, strengthen, and maintain that relationship.

If a factory makes no meaningful attempt to improve their practices and/or disregards our human rights requirements, Coach will not hesitate to terminate the business relationship with that factory. We have had to make this decision many times before. The aforementioned facilities whose audits were not acceptable have either corrected their issues and are now operating in line with Coach's expectations and standards, or we have terminated the partnership due to a lack of cooperation.

## SUPPLY CHAIN COMPLIANCE PROGRAMS

As stated in Coach's Global Operating Principles, "Coach is committed to full compliance with all laws and regulations in the locations where the corporation operates and conducts business, and will not knowingly operate in violation of any such law or regulation." From time to time Coach is asked to disclose additional information on how the organization is complying with various supply chain related laws. Two such regulations are the California Transparency Act and the Dodd-Frank Act, Section 1502 regarding conflict minerals. The below sections outline our approach to comply with those legal requirements, as well as our approach to our operations in Bangladesh.

### CALIFORNIA TRANSPARENCY IN SUPPLY CHAINS ACT (SB 657)

The law went into effect on January 1st, 2012 and requires retailers to disclose their efforts to eradicate slavery and human trafficking from their supply chain.

Coach has adopted the following broad definition of slavery: "The act of holding the worker against his or her will and controlled physically or psychologically by violence or its threat for the purpose of appropriating their labor."<sup>2</sup>

Coach has adopted the following broad definition of human trafficking: "Any recruitment, harboring, transportation, provision or obtaining of a person for labor services, through the use of force, fraud, or coercion for the purpose of subjection to involuntary servitude, peonage, debt bondage, or slavery," as defined in the Victims of Trafficking and Violence Protections Act of 2000.

Coach assesses our risk of slavery and human trafficking as low for the following reasons:

- *Verification of Product Supply Chain:* Coach verifies its product supply chain by conducting audits at all of our factories to ensure compliance with our code of conduct and guidelines, including Coach's Global Business Integrity Program. Both human trafficking and slavery fall within our code's definition of "forced labor" and, as such, are strictly prohibited, and penalized, at all stages of the product supply chain.
- *Conducts Audits of Suppliers:* In addition to Coach employees, Coach also hires independent third party auditors who routinely undertake unannounced visits to all Coach manufacturing locations and provide Coach with full reports on the living and working conditions of people retained to work at those locations. Each location receives at least one unannounced audit visit in a year.
- *Requirement for suppliers to certify compliance:* Coach requires that all direct suppliers provide an annual certification of their compliance with Coach's standards for employment – including a certification on the part of the supplier that all materials sourced for and incorporated into Coach products comply with anti-slavery and human trafficking laws of the country or countries where the supplier is doing business.
- *Maintains internal accountability standards:* Coach has developed a code of conduct for all parties working with Coach – as embodied in the Global Business Integrity Program. In the case of non-compliance, Coach reserves the right to examine the specific situation and develop a strategy for resolution. If non-compliance is not resolved within a timely manner, Coach may terminate a business relationship.
- *Conducts Training:* Coach conducts internal trainings of Coach employees to ensure that participants in supply chain management are knowledgeable and aware of the issues and concerns surrounding the supply chain, including human trafficking and slavery, with a particular focus on mitigating risks. In addition, in December 2011, Coach conducted a training seminar in China for external partners – including suppliers and key factory personnel – to educate them on the requirements for compliance with and adherence to the California Transparency in Supply Chains Act of 2010 (SB 657). Coach will assess the need to repeat this type of training again at a later date.

In order to monitor adherence to our Global Business Integrity Program, Coach created the Global Business Standards Committee, comprised of senior executives, which meets quarterly. Coach also has an Ethics and Compliance Reporting System ([www.coachinc.ethicspoint.com](http://www.coachinc.ethicspoint.com)) and a Hotline (1-800-396-1807) through which employees and consumers alike can report issues with and deviations from Coach's principles and philosophies.



## **DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT §1502 – CONFLICT MINERALS**

In 2010, the Dodd-Frank Act became law. Section 1502 of the Act requires publicly traded U.S. companies to disclose the use of “conflict minerals” required for the functionality of their products. Conflict minerals come from the Democratic Republic of Congo and surrounding countries and include tin, tungsten, tantalum and gold (3TGs). The mining of these minerals has been partially co-opted by militant groups which engage in human rights abuses to mine these materials and use the proceeds to finance armed conflict in the region.

Consistent with our belief in the dignity of, and respect for, individuals, as demonstrated in our policies on labor practices, Coach is concerned with the humanitarian abuses involved in the mining of these materials and subsequent financing of armed conflict. As such, Coach strives to deliver products to its consumers manufactured in an ethical way, consistent with our humanitarian beliefs and to be compliant with the laws in the countries in which we operate. To enable this, Coach has adopted the following practices:

- Instituted an assessment of its supply chain to identify areas where there is a high probability of 3TG use;
- Collaborated with suppliers to confirm 3TG usage and potential sources of these minerals;
- Worked with its suppliers through the product development process to understand the risk of conflict minerals being incorporated into the design; and
- Expects its suppliers to adopt policies with respect to conflict minerals consistent with Coach’s stance.

In order to achieve these objectives, Coach developed a process consistent with the Organisation for Economic Co-Operation and Development (OECD) framework for conflict minerals:

- Develop and implement systems and processes to understand the level of conflict mineral risk in the supply chain. This includes the development of clear guidelines on the usage of conflict minerals for Coach and its suppliers which are communicated to all relevant stakeholders; as well as appointment of an internal management team to understand and manage the process with regard to conflict mineral due diligence in its supply chain;
- Assessment of the supply chain to understand where 3TGs may be used in Coach’s products;
- Develop an action plan to address those risk areas identified, including: due diligence with identified suppliers, development of guidelines for product development processes to prevent the introduction of conflict minerals into Coach’s products and tracking and reporting of the results of these efforts;
- Auditing, performed by our internal audit team, of our processes as part of our normal internal controls audit process; and
- Reporting of the results via the required Securities and Exchange Commission Form SD (Specialized Disclosure) and publishing those results on our website.

## **BANGLADESH – THE ACCORD AND THE ALLIANCE**

As of April 2014, Coach products are no longer manufactured in Bangladesh. Coach does not participate in the Accord and the Alliance in Bangladesh due to our lack of manufacturing in the region. Prior to April 2014, Coach products were manufactured on a single floor in one factory in Bangladesh, representing roughly 200 employees, and representing less than 1% of production.

## ANIMAL WELFARE

In the second quarter of 2015, Coach took steps to create and implement an animal welfare policy across our entire supply chain. Coach uses material from animal origin in some of our products, primarily as a byproduct of the meat industry. However, we do use animals that are not considered a byproduct of another industry. We are committed to principles and practices that require animals in our supply chain to be treated with care and respect. Additionally, Coach, Inc. is cognizant of our operating footprint and is working to understand our impact on local biodiversity.

Coach is committed to the following general principles, to be applied to the treatment of all animals within our supply chain:

1. We are committed to ethical practices in the capture, keeping, breeding, raising, transport, handling and slaughter of live animals in our leather, fur and exotic skins supply chain. We believe that all animals, while taking into account specific species' needs, should benefit from:
  - a. Freedom from hunger and thirst, by ready access to fresh water and a diet for full health and potency;
  - b. Freedom from discomfort by providing an appropriate living environment;
  - c. Freedom to express normal behavior, by providing sufficient space and proper facilities;
  - d. Freedom from pain, injury or disease, by prevention or rapid diagnosis and treatment;
  - e. Freedom from fear and distress, by providing conditions and treatment that avoid mental suffering or undue physical duress; and
  - f. Proper care and respect to the species' nature and psychological, physiological and ethological needs in accordance with established experience and scientific knowledge.
2. We are committed to sustaining well-functioning and bio-diverse ecosystems in regions where we source and contract to manufacture. This includes maintaining populations of wild animals at sustainable levels as well as to source only material of animal origin that stem from legal sources. We believe that local authorities' use of robust scientific assessment methodologies promoted by the Convention on International Trade in Endangered Species<sup>3</sup> (CITES) agreement or the IUCN Red List Categories<sup>4</sup> and the Criteria assessment, is critical to achieve this objective.
3. We believe that the capture, keeping, breeding, raising, transport, handling and slaughter of animals must be undertaken with minimal environmental impacts, and in compliance with applicable local animal welfare, social and environmental laws and regulations. In addition, we believe, and have developed this document with, internationally accepted standards for animal welfare such as those standards developed by the World Organization for Animal Health in mind.
4. We believe that animals should not be transported in a way that is likely to cause injury or undue suffering to them, including that all necessary arrangements have been made in advance in line with internationally accepted standards for transportation of animals in air, at sea and on land.
5. We believe that animals should not experience suffering, pain or excitement during all stages of the process of slaughter, and that, as appropriate, effective stunning should be used in advance of slaughter.

As a means to uphold these principles, we will work with our service providers and raw material suppliers to achieve these outcomes and encourage them to uphold these principles within their own supply chains.

We also recognize that the ability to uphold these principles throughout our supply chain and across different types of species will vary; however, we aim for continuous improvement towards realizing these principles. We will seek to source from countries that have well-established and enforced legislation covering animal welfare, trade, and biodiversity conservation.

Our animal welfare policy can be found online at <http://www.coach.com/governance-document.html>.

<sup>3</sup> CITES is an international agreement that is legally binding to signatory nations. It requires them to implement national and local laws to ensure that international trade in specimens of wild animals and plants does not threaten their survival. [www.cites.org](http://www.cites.org)

<sup>4</sup> The IUCN Red List of Threatened Species is widely recognized as the most comprehensive, objective global approach for evaluating the conservation status of plant and animal species. It is a scientifically rigorous approach to determine risks of extinction that is applicable to all species. [www.iucnredlist.org](http://www.iucnredlist.org)

# PILLAR 3: ENVIRONMENTAL CONSERVATION

The third pillar of Coach's sustainability foundation is *Environmental Conservation* and outlines Coach's commitment to continuously improve our data collection and analysis to provide us with the information required to make actionable decisions to conserve and reduce our energy consumption, waste production, and overall environmental impact.

Coach believes in being a good environmental citizen. Our commitment to good environmental practices is outlined in our Global Operating Principles. "Coach is committed to full compliance with all environmental rules, regulations, and standards applicable to its operations. Coach will observe environmentally conscious practices in all locations where the corporation operates." Using this as our starting point, we have continued to evolve our understanding of good corporate citizenship and have continued to build our sustainability programs. Coach partners with factories that are adopting Lean Manufacturing practices. This has improved quality and output efficiency, as well as reducing waste. Additionally, Coach operates in many ISO 14001-certified factories. Like many organizations, we don't always have direct control over every stage in the lifecycle of our products; however, we have made improvements to many stages, and we will continue to make improvements. Coach has also been more transparent in our environmental progress through reporting to the Carbon Disclosure Project (CDP) and responding to surveys from various investor groups around our environmental, social and governance practices.

This is the third year of our sustainability reporting journey, and while we have made considerable progress on some of our environmental initiatives, there are many that we are still in the process of implementing. From the processes that have already been implemented, we have seen progress from our initial efforts and will continue to explore additional ways to reduce our environmental footprint. The following sections outline those efforts and are broken into three sections: supply chain initiatives, retail operations initiatives, and corporate headquarters initiatives.

## SUPPLY CHAIN INITIATIVES

Coach products are made by independent manufacturers. Though we don't own the manufacturing process, we are very involved in product development. Coach maintains influence in the areas of material selection, product safety, and packaging. We have worked hard to improve the environmental footprint of our supply chain, and will continue to evaluate and evolve these programs.

## MATERIALS

Coach prides itself on quality materials and craftsmanship. We also recognize that, as a company of substantial size, we impact the environment by our material selection.

### MATERIAL CONSUMPTION BY TYPE (FISCAL 2015)

<i>Material Type</i>	<i>Fiscal 2015 Usage</i>	<i>Units</i>
Leather	79,964,416	Square Feet
Fabric Shell	2,277,268	Meters
Fabric Lining	8,980,242	Meters
Hardware	335,000,000	Pieces

As Coach has grown, we have started to regionalize the sourcing of our material production, which has reduced the transportation of materials to our manufacturing service providers.

In addition to strategically sourcing materials closer to our service providers, the use of 3-D technology in our product development and sampling processes has reduced our material consumption by reducing the need for physical samples in the product design, development, and approval process.

From time to time, product will be returned to our distribution center in Jacksonville, Florida, USA (JAX). In 2012, our Jewelry team recognized an opportunity to recycle jewelry scrap and partnered with our JAX operations team and a third-party metal recycler. When jewelry or key fobs were returned to JAX, the product was inspected and either marked for scrap (due to missing stones or non-working closures) or, if it was not damaged, placed back in inventory. In fiscal 2015, we did not recycle any jewelry scrap in JAX, but when the opportunity presents itself, Coach is committed to recycling where possible.

## LEATHER

Coach is the original American house of leather, and we take great pride in the sourcing and production of our leather goods. In fiscal 2015, roughly half of our finished leather was tanned in Asia, and half in Europe.

We materially comply with all laws in the procurement of sourced materials. Regarding the sourcing of leather, tanners used by Coach do not knowingly source hides from the Amazon biome, and they must certify this to Coach annually. Cattle ranching in the Amazon biome<sup>5</sup> has contributed to massive deforestation and the displacement of indigenous peoples. It covers approximately 40% of Brazil and the Amazon biome contains some of the world’s greatest biodiversity and some of the largest surface water reserves. During fiscal 2015, Coach received written confirmation that none of its raw material was sourced from cattle in the Amazon region.

## PRODUCT SAFETY & RESTRICTED SUBSTANCES

To manage the impact of materials in our supply chain, we have established a Product Safety Program (Figure 2), anchored by a Restricted Substances List (RSL). The Program helps ensure that chemicals or substances are not being used in a way that may harm the workers who manufacture our products, the consumers who purchase them, or the environment. Since 2009, Coach has eliminated the use of solvent-based adhesives and replaced them with water-based adhesive, reducing the amount of chemical off-gassing that is associated with solvents. We’ve also eliminated Dimethyl Fumarate (DMFu) from our silica packets in response to European regulation.

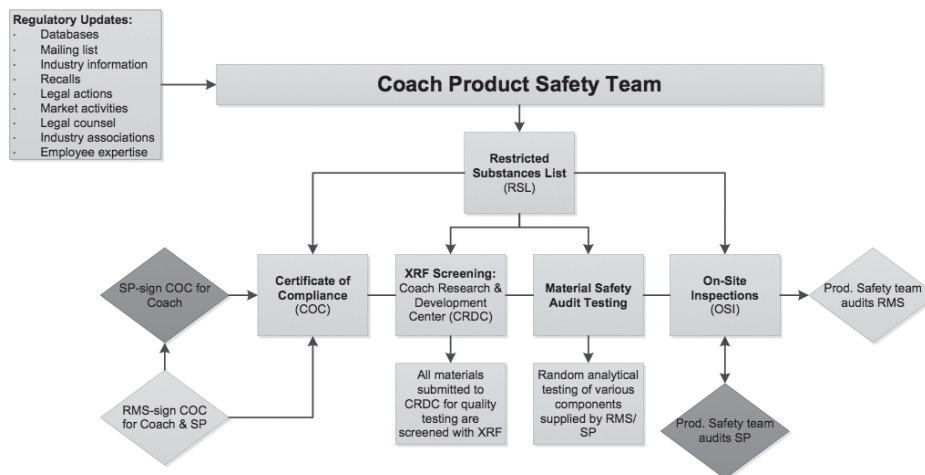


Figure 2: Coach’s Product Safety Program process flow chart.

<sup>5</sup> The Amazon biome is defined by the Brazilian Institute of Geography and Statistics (IGBE). The map is available at [ftp://geofitp.ibge.gov.br/organizacao\\_territorial/amazonia\\_legal/amazonia\\_legal\\_2014.pdf](ftp://geofitp.ibge.gov.br/organizacao_territorial/amazonia_legal/amazonia_legal_2014.pdf)

The Product Safety Program and Restricted Substances List are supported by four areas managed by our Product Safety Team (PST): the Certificate of Compliance (COC); X-Ray Fluorescence (XRF) screening of all materials in our Coach Research & Development Center (CRDC); the Material Safety Audit Test; and On-Site Inspections (OSI). The following sections outline the details.

#### *1. Certificate of Compliance*

All Coach raw material suppliers (RMS) and service providers (SP) are required to complete, sign and submit to Coach a Certificate of Compliance (COC). A signed COC is required in order to be an approved supplier to Coach and constitutes a supplier's understanding and acceptance of its responsibilities regarding compliance for all materials supplied and used in all Coach products, based upon a reasonable testing program. In the event of failure to comply with the Restricted Substances List, Coach reserves the right to terminate all outstanding orders and cease doing future business with the supplier.

#### *2. X-Ray Fluorescence Screening at Coach Research & Development Center*

All materials submitted to the Coach Research & Development Center (CRDC) for standard material development testing are screened for restricted substances using an XRF scanner. The results of these screen tests are recorded in Coach's database and then shared with the material teams. In the event of a failure, the material teams share the results with the raw material supplier who developed the material and partner with them to either submit the material for third-party testing or rework the material and resubmit to Coach for additional XRF scanning. The XRF scan is used as a screen and spot check to ensure that our suppliers are complying with the terms outlined in the Restricted Substances List and Certificate of Compliance.

#### *3. Material Safety Audit Testing*

Each quarter Coach identifies a list of production quality materials to be tested at an approved third-party laboratory. If a material fails testing, Coach works with the supplier to develop a Corrective Action Plan. At a minimum, the Plan must contain information on the source of the failure, actions taken to quarantine current inventory and shipped products, if any, action taken to prevent the failure in the future, a primary point of contact, and acknowledgement that these changes will be implemented for all future orders.

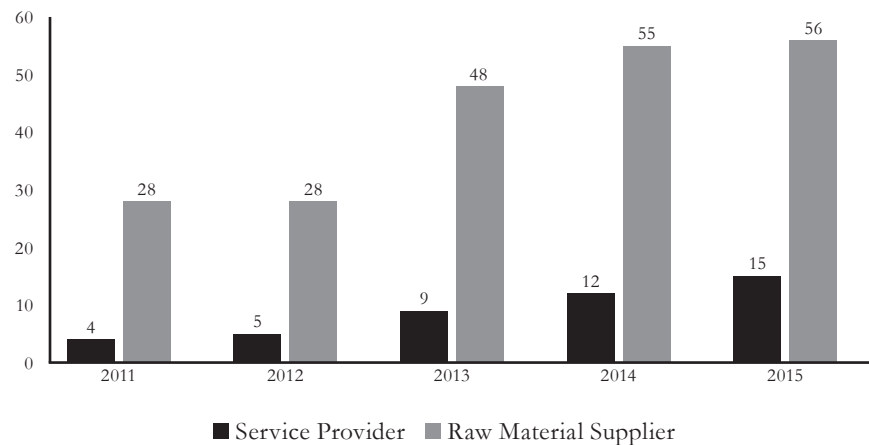
#### *4. On-Site Inspections*

A member of the Product Safety Team, with or without the assistance of a member of the material team, conducts the On-Site Inspection (OSI) and accompanying report. The function of the OSI is to:

- Communicate the Restricted Substances List requirements and test methods to the supplier;
- Review inventory records of chemicals (e.g. Material Safety Data Sheet (MSDS), use of banned chemicals, etc.);
- Review processes regarding changing chemicals, chemical management, mixing processes (to prevent contamination with restricted chemicals);
- Review the handling of nonconforming products which contain restricted substances; and
- Make random sample inspection/collection for RSL testing.

When required, the material teams will partner with the supplier to develop a remedial action plan to correct any issues or concerns discovered during inspection. All raw material suppliers in the chart below received acceptable audit results during the on-site inspections.

*RSL On-Site Inspection Audits by Supplier Type*



## STREAMLINED DISTRIBUTION STRATEGY

Historically, a Coach handbag destined for our flagship store in Hong Kong would be shipped via boat from the factory in southern China to our primary distribution center in Jacksonville, FL. (JAX). The bag would then be placed in another container and shipped via air back to our retail locations in Hong Kong. The total trip was a little over 18,000 miles, roughly three quarters of the way around the globe. As we expanded into additional markets, we recognized that this was neither economical nor environmentally sustainable.

Through the use of in-region warehouses within our distribution network and third-party-operated in-country hubs in Japan, China, Hong Kong, Singapore, Taiwan, Malaysia, Korea and the Netherlands, we have eliminated many transportation legs and reduced the impact of shipping our products. This process is continually examined and refined in order to maximize our shipping efficiency.

## LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN – JACKSONVILLE, FL



Leadership in Energy and Environmental Design (LEED), implemented by the U.S. Green Building Council (USGBC) is an internationally recognized green building certification system, providing third-party verification that a building or community was designed and built using strategies aimed at improving performance across the following metrics: energy savings, water efficiency, carbon dioxide (CO<sub>2</sub>) emissions reduction, improved indoor environmental quality, and stewardship of resources and sensitivity to their impacts.<sup>6</sup>

LEED is the United States standard for efficient environmental design and has multiple rating systems with several criteria. Specific criteria are given point values and a sliding point scale awards a building a LEED Certification: LEED Silver, LEED Gold, or LEED Platinum.

The anchor of our distribution and logistics operation is our 850,000-square-foot distribution and consumer service facility in Jacksonville, Florida. JAX has been implementing sustainability initiatives for several years and has been an inspiration to the rest of the organization regarding how to create positive environmental improvements.

Coach's Shipping and Storage Buildings were awarded LEED Silver certification for implementing 38 green design and construction features that positively impact the environment. These features include:

- Solar-powered water heaters to take advantage of approximately 230 days of sunshine per year;
- Waterless urinals—saving one gallon of water per use;
- Modular-based office construction to allow reconfiguration without demolition;
- Energy-efficient lighting and HVAC systems, saving hundreds of thousands of kilowatt-hours (kWh) per year;
- Use of flooring, adhesives, and paint with low volatile emissions; and
- Reduction of construction debris by managing waste and recycling.

The accomplishment of this facility is representative of Coach's commitment to the environment and willingness to invest in sustainable business operations.

<sup>6</sup> <http://www.usgbc.org/?page=whatisleed>

## PACKAGING REDUCTION

Located in our Jacksonville, Florida distribution center, we have a full-time packaging engineer who develops methods to reduce our footprint from packaging. We have implemented several initiatives throughout the product lifecycle that have greatly reduced the impact of shipping our product. If we can't reduce the use of packaging or corrugate, we will reuse it; if reuse is not feasible, we strive to recycle it. We are constantly looking for ways to reduce our environmental footprint from packaging materials.

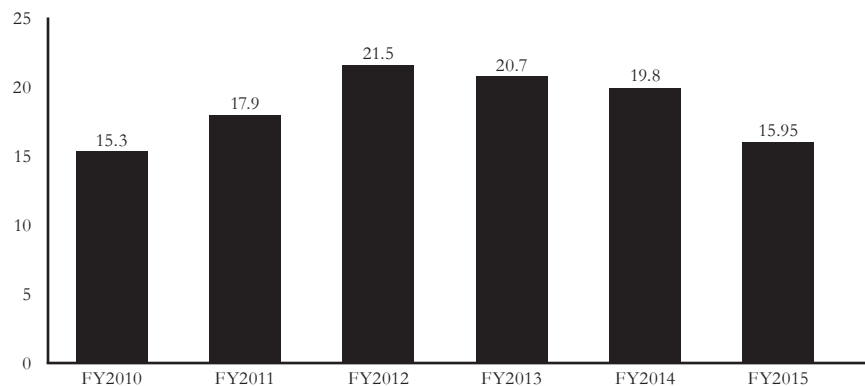
### TOTAL WEIGHT (LBS.), BY MATERIAL TYPE, RECYCLED AT COACH'S JACKSONVILLE, FLORIDA DISTRIBUTION CENTER

<i>Material Type</i>	<i>Fiscal 2011</i>	<i>Fiscal 2012</i>	<i>Fiscal 2013</i>	<i>Fiscal 2014</i>	<i>Fiscal 2015</i>
Corrugate	4,600,000	4,700,000	5,000,000	5,500,000	3,428,600
Mixed paper/office fiber	790,000	1,200,000	508,234	0	0
Aluminum cans	580	480	1,600	1,030	0
Plastic/film	69,200	566,000	660,000	433,000	291,000
<i>Total</i>	<i>5,459,780</i>	<i>6,466,480</i>	<i>6,861,600</i>	<i>6,444,030</i>	<i>3,719,600</i>

When a Coach handbag is completed at a manufacturing facility, it is filled and wrapped with tissue paper to help it maintain its shape and protect it from any scratches or indentations while in transit to one of our distribution centers. Historically, our bags were fully filled and wrapped in all directions. Beginning in fiscal 2010, we partnered with our service providers to reduce the amount of tissue paper used in the packaging of our products. We started by reducing the amount of paper fill inside of our products. Next we began wrapping our products only in one direction. The initial pilot project saved 2,181,555 sheets of tissue paper in 610,457 units. A second pilot saved an estimated 91,081,106 sheets of tissue paper in 12,803,507 units. We have also measured this initiative based on the average number of units shipped in each case.

There was a decline in the amount of mixed paper/office fiber that we were able to recycle in fiscal 2014 and 2015 due to the use of silica packets in order to absorb any moisture that may collect during the shipping process. Silica is not recyclable, and our product was being packaged in such a way that the paper used to help the bags hold their form had silica packets in it. This resulted in issues at the recycling plant. Coach has taken steps to address this issue by working with our factories to make sure that the silica packets are put at the bottom of the bags rather than in with the packing material. We expect to see our mixed paper/office fiber numbers increase over the next fiscal year and into fiscal 2017 as a result of this effort.

*Average Units Per Case Shipped*





Understandably, units per case (UPC), will fluctuate depending on product styles, sizes and materials, but overall we've seen very positive results since this program started. The drop in UPC from fiscal 2012 to fiscal 2015 is the result of an increased use of sensitive raw materials used in our products (e.g., leathers or polished hardware) that require outer wrappings to protect from scratches and dents. Coach has also increased the number of shaped bag designs which require more internal filler and result in fewer bags fitting into each shipping case.

In addition to reducing packaging from the service providers for appropriate products, we remove and recycle additional packaging before shipping products directly to our North American Outlet Stores.

In a continued partnership with our third-party logistics provider in China, we collaborated with our manufacturing service providers to standardize case sizes and printing procedures to coincide with our new case size and printing. By standardizing the size and printing, we have been able to reuse old cartons in good condition instead of using new ones. We have estimated that we reuse approximately 100,000 cartons per year.

Another initiative that has resulted in significant packaging reductions is the introduction of redesigned cartons allowing the cartons to have two depths. Depending on the product being shipped, the more appropriate depth is selected to reduce the use of air pillows (8" x 10" deflated) that prevent the product from moving in the carton during transport. Over a three-month period we saved 2,559,614 air pillows and estimate an annual savings of 10,238,456 small air pillows.

Finally, we have added additional carton sizes for direct-to-consumer shipments. By appropriately sizing the carton for each product, it greatly reduces the air pillows required and the use of excess corrugate, and improves our trailer and container efficiency. This process reduces the cubic volume per carton versus previously available cartons by 50%. Over a three-month period we saved 129,023 square feet and estimate an annual savings of 516,092 square feet of corrugate. In that same three-month period we saved 323,238 large air pillows (10" x 20" deflated) and estimate an annual savings of 1,292,952 air pillows.

## ENERGY EFFICIENCY UPGRADES

When the new 290,000-square-foot LEED facility opened at Coach's JAX distribution center in fiscal 2009, the facility totaled 850,000 square feet and the electricity load increased by roughly 3.8 million kWh. Since that time, the operations team at JAX has implemented energy efficiency initiatives to help reduce the facility's environmental footprint.

### *Lighting Upgrades*

- Replaced warehouse metal halide and high pressure sodium lights with fluorescent fixtures, resulting in an estimated annual electricity savings of 3,000,000 kWh (Fiscal 2009);
- Installed lighting sensors on distribution center lights in North Storage and South Building, resulting in an estimated annual electricity savings of over 100,000 kWh (Fiscal 2012); and
- Replaced fluorescent T-12 lighting fixtures in the main office space with more efficient T-8 lighting fixtures (Fiscal 2013).

### *Heating, Ventilation, and Air Conditioning (HVAC) Upgrades*

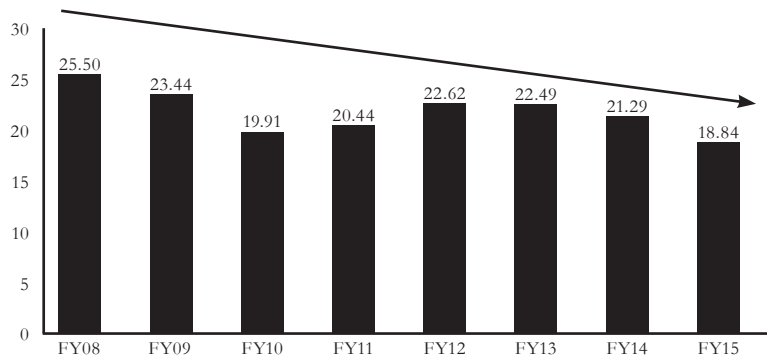
- Replaced 21 HVAC units (installed 1995) with high efficiency HVAC units (Fiscal 2009);
- Replaced four 40-ton main-office HVAC units (installed 1995) with four 40-ton high-efficiency HVAC units (Fiscal 2012); and
- Replaced remaining eight HVAC units (installed 1995) with high-efficiency units (Fiscal 2014).
- Implemented a program in our Building Management System to shed HVAC load throughout the facility based on environmental conditions both inside and outside the building (Fiscal 2014).

To improve the overall operation of these efficiency upgrades, in fiscal 2013, we began installation of a building management system (BMS) to update aged HVAC controls equipment in the facility. Incorporated into the new BMS will be an energy management dashboard that will give our facilities team the ability to control kilowatt peaks and load shed, along with the ability to strategically shut down individual pieces of equipment, if required. In fiscal 2014 and continuing into fiscal 2015, we began the addition of a program to our BMS that will aid the facility in shedding load based on internal and external environmental conditions. Fiscal 2014 saw the implementation of the test phase, in which we had a 20% reduction in kilowatt-hours consumption during the winter months. In fiscal 2015, we have implemented the system in our North Storage Building, Shipping Building, Finished Goods Storage, Fulfillment areas and the Main Building. Additionally, work was done in our second building in late 2015 to early 2016 to replace nine of the 20 HVAC units. These new units are fully compatible with our new BMS system and are much more energy efficient. To date, the new BMS has saved nearly 1 million kilowatt-hours of energy at our JAX facility.

Coach has installed generators to support the entire JAX facility and data center, to help reduce the impacts of utility outages when they occur. The generators are set up as a modular power solution consisting of several smaller engines instead of one large engine. These redundancies were built into the design of the system to ensure the critical load and prioritized loads will have power in the event of an outage.

The previously described energy efficiency improvements have had a positive impact at JAX. The energy intensity at JAX, when normalized for the effects of weather, as measured by British Thermal Units (BTUs) per square foot per cooling degree days<sup>7</sup> (the annual total number of degrees that a day’s average temperature is above 65° F), is trending down. The reduction in energy intensity between fiscal 2008 and fiscal 2015 is 26.1%, with an average percent change over the five-year period of 3.9%. In the future, we intend to seek additional opportunities to reduce our energy footprint and consumption through continued data collection and analysis.

*Energy Intensity of Distribution Center (Jacksonville, FL, USA)*



<sup>7</sup> <http://www.weatherdatadepot.com/>

## RETAIL OPERATION INITIATIVES

### *Energy*

Several years ago, Coach switched to metal halide fixtures, improving efficiency by 25%, and last year Coach began pilot-testing LED lighting in retail stores, improving efficiency in store lighting once again. As a part of our brand transformation, our stores are receiving Modern Luxury makeovers around the world. Beginning in September 2014, we have updated our lighting in new Coach stores in the following ways:

- Low-wattage LED strip lighting in all cabinetry;
- Most architectural ceiling lighting has been converted to LED, with the exception of some stores with exceptionally high ceilings. Those stores utilize metal halide fixtures;
- All window lighting is now LED; and
- All specialty lighting for the façade and signage is either a low-wattage LED panel or spot diodes.

For our remodeled stores, we have swapped out existing lamps and replaced them with LED (60% of the fleet was able to accommodate the new lighting), and we have replaced the lighting in the cabinets with LED strips. As of June 2015, we have completed 28 complete store retrofits and an additional 10 return, on, investment assessments for other sites.

Overall, our Modern Luxury redesign has resulted in newer stores using much less energy than in our previous store design.

### *Store Construction*

As Coach opens additional stores domestically and abroad, we have looked for opportunities to improve the efficiency of our stores as well as their construction. Three years ago our Store Construction team switched to flat packing mill work for store builds. This change reduced freight, increased shipping efficiency, and reduced the carbon footprint of shipping. Additionally, we use low volatile organic compound paints in our stores.

### *Materials/Waste*

Coach uses shopping bags and gift boxes made with environmentally friendly packaging materials. The shopping bags for our full-price stores are made from 40% post-consumer waste, and our full-price and outlet gift boxes are 100% recyclable.



## CORPORATE HEADQUARTERS INITIATIVES



*Hudson Yards, LEED Gold South Tower*

Coach, in partnership with Related Companies and Oxford Properties Group, is developing a healthy and high-performance headquarters building with the collective goal of achieving LEED Core and Shell (CS) v2009 Gold certification for the base building and LEED Commercial Interior (CI) v2009 Gold certification for Coach's space within the building. The 895-foot-tall building will feature panoramic views of New York City and the Hudson River, with a total of 15,000 square feet of terrace space on three levels. The South Tower is expected to be one of the most unique buildings in the city due to its integration with the celebrated High Line Park and direct connection to the park's public plaza and public transportation. Coach has purchased 740,000 square feet and is looking forward to using the space as our new global corporate headquarters, starting in spring 2016.

Highlights of the Core and Shell construction include:

- Designed to be at least 20% more energy efficient than ASHRAE/IESNA Std. 90.1-2007, including anticipated tenant loads;
- 1.2 Megawatts of gas-fired micro-turbine cogeneration equipment to provide power and heat in the event of a grid outage;
- Storm water collection to use for cooling tower (water) make-up and irrigation;
- Storm-proofed and reinforced fuel tanks, watertight points of entry, and elevated switchgears will keep tenants operational through major storms, up to a Category 1 hurricane.
- Highly water-efficient, with low-flow bathroom and pantry water fixtures that reduce domestic water use by 30% relative to the LEED baseline;
- The building's outdoor air delivery system will be designed to exceed the code minimum ventilation requirements for the purpose of enhanced ventilation and cooling as a partial air-side economizer;
- Base building finishes will be low-emitting materials, including all carpeting, paints and coatings, adhesives and sealants, and composite wood products; and
- Green construction practices will divert at least 75% of construction and demolition waste from landfill by recycling.

Highlights of the Commercial Interior construction include:

- Low-emitting materials (adhesives, sealants, paints, coatings);
- Water use reduction of at least 20%;
- High-efficiency mechanical motors operating on variable frequency drives to ensure maximum efficiency;
- Advanced recycling storage and collection capabilities;
- Advanced lighting technologies and management (e.g. daylight harvesting, occupancy sensors, etc.); and
- Advanced energy monitoring, measurement, and verification to allow for easy shedding of load power during peak demand.

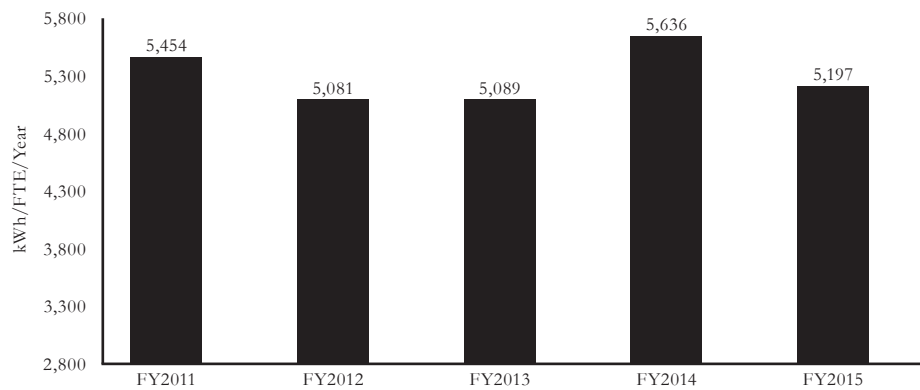
We are enthusiastic about this new facility and the opportunity to have all of Coach's New York employees within one headquarters building.

### *Energy & Efficiency Upgrades*

While we look forward to our new headquarters building, we recognize that significant opportunities exist in our currently owned and leased office spaces in New York and New Jersey. Coach has been actively monitoring electricity consumption and is constantly looking for opportunities to improve energy efficiency and reduce consumption. Below is a description of the positive improvements that we have made.

In Fiscal 2015, we saw an overall decrease in Electricity Consumption per Full-Time Employee of 7.8%. This is a result of the decrease in energy usage across our corporate offices.

*Electricity Consumption per Full-time Employee per Year  
New York & New Jersey Offices*



### *Occupancy Sensors*

- Installed occupancy sensors in private offices and conference rooms to ensure that lights are not left on while rooms are not in use; and
- Installed motion sensors for bathroom sinks, urinals, and hand towel dispensers.

### *Energy Efficient Fixtures*

- Replaced burnt out lamps with Compact Fluorescent Lights; and
- Evaluated lighting solutions during office and conference room remodels and, when appropriate, installed LED track lighting.

### *HVAC Scheduling*

- Upgraded HVAC filters and established a regular maintenance and cleaning schedule; and
- Implemented a staggered start for HVAC schedule for all 4 facilities, so the HVAC units are no longer running 24/7.
- Use high efficiency HVAC filters with AGEIS film to kill bacteria and mold on HVAC equipment to create better indoor air quality.
- Upgraded Building Automation System to a newer wireless Honeywell unit.



*Increased Use of Video-Conferencing*

- Implemented video conferencing and real-time chat software to facilitate work across multiple buildings, time zones, and geographies;
- Dramatic increase in video conferencing: 349 video conferences/month, with roughly 183 sessions scheduled in advance;
- 50% of video conferences are scheduled off hours;
- Typically used for meetings with large attendee lists; and
- Use of video interviews during recruitment process to reduce travel requirements during interview process.

*Energy Star*

- Replaced all CRT monitors in FY13; all desktop, laptop and computer monitors are EnergyStar compliant, improving energy efficiency of our computing infrastructure.

*Power Management System*

- Power Management System automatically shuts down all non-critical computers, roughly 1,600, at 10:00 PM on Friday, not to be turned on again until the users return to work on Monday morning.

*Data Center Virtualization*

Coach's primary data center is approximately 4,700 square feet of space on a 12-inch raised floor. The facility uses 208V voltage distribution to its equipment instead of 120V, reducing energy consumption and cooling requirements. Cooling for the data center is provided by seven down-flow direct expansion-type computer room air conditioners. The racks in the data center are arranged in a standard hot aisle/cold aisle configuration. Additionally, we have adjusted the air conditioner temperature set-point in the data center from 68° to 72° F and are currently running 70% of our servers in a virtual environment.

## WASTE & RECYCLING

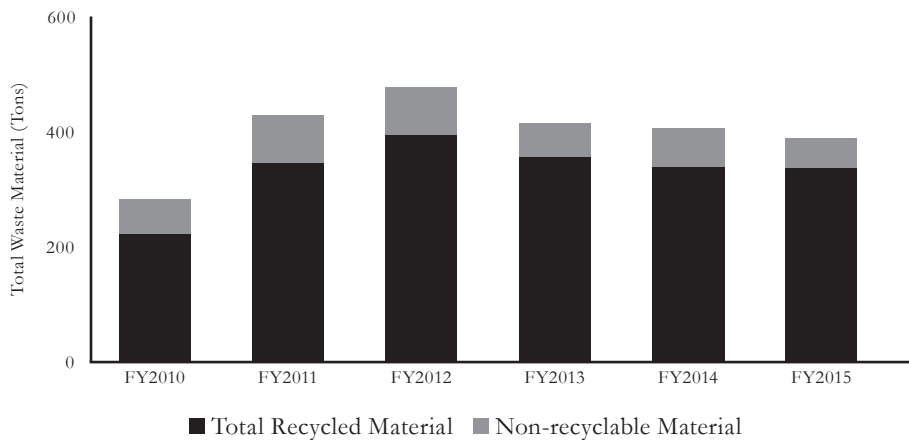
### Office Recycling – Single Stream

Coach partners with two separate waste management companies that both utilize single stream recycling. Single stream recycling co-mingles all waste and post-sorts all waste to maximize recycling. Additionally, we have recycling bins located next to all communal printers and copy machines. The New York offices have improved their recycling capabilities year over year, starting with a 77% diversion rate (amount of waste recycled) in fiscal 2010 to 85% in fiscal 2015. As we look to manage the amount of waste we create at our corporate headquarters, we are making progress in the right direction, increasing our diversion rate 2% from fiscal 2014 to fiscal 2015.

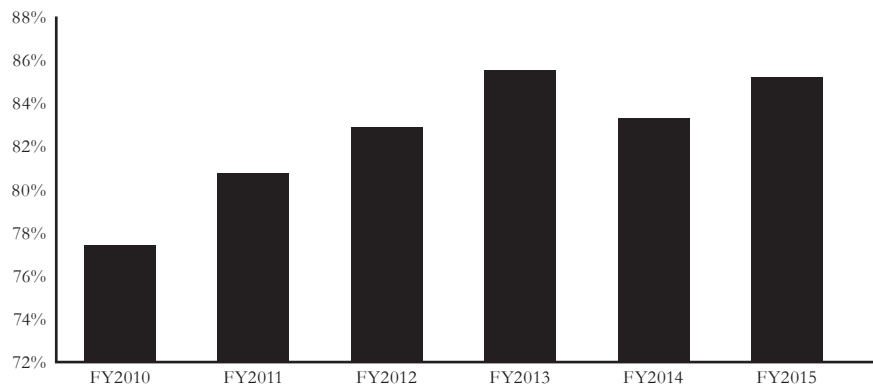
In fiscal 2015, we estimate that the recycling efforts at our 510 West 34th Street and our 516 West 34th Street offices saved an estimated:

- 5,474 mature trees;
- 25,388 gallons of oil; and
- 2,254,000 gallons of water.

Total Waste Material Collected for 510 & 516 West 34th Street Headquarters



Recycling Diversion Rate for 510 & 516 West 34th Street Headquarters



### *Fabric Recycling*

Coach is continually looking for opportunities to reduce the amount of waste that we generate. At our corporate headquarters, our design and production teams participate in Materials for the Arts (MFTA).

MFTA is New York City's premier municipal reuse center. A program of the New York City Department of Cultural Affairs, with support from the Department of Sanitation and Education, MFTA collects a wide variety of reusable materials from businesses and individuals and makes them available, free of charge, to non-profits and government organizations with arts programming as well as New York City public schools.<sup>8</sup>

Coach has been donating to Materials for the Arts for several years, and in 2015 we donated 2,496 pounds of material to the program.

Coach also works with re-fashionNYC, a partnership between the New York City Department of Sanitation and Housing Works that helps make clothing donations easier through in-building service. Re-fashionNYC makes sure that donated product does not enter the landfill. Coach currently has two bins in our corporate headquarters, and we have been working with re-fashionNYC for over a year. We look forward to working to expand our program as we move into our new building in the spring of 2016.

### *Printer and Copier Management*

Currently, Coach employees in our New York and New Jersey facilities print 1 million sheets of paper per month. The color copy paper that we use is certified by the Forest Stewardship Council, and we are continually looking for ways to use less paper. The Technology Services team has been working hard to implement strategies to reduce our impact from copying and printing.

As a company policy, we partner with a third-party service provider to recycle all copy and printer cartridges. To ensure recycling, our mail room monitors the program and employees must exchange a used cartridge in order to receive a new one.

At Coach we have "networked" combined copy/print devices located in common areas for general use. Additionally, we have roughly 850 "local" printers which are located at employees' desks. In September 2009, Information Services set all networked black-and-white printers to default to double-sided printing. During the second quarter of fiscal 2014, we implemented the use of proximity cards to release print jobs. Employees will be required to swipe their employee identification card to release a print job. The goal of this initiative is to reduce the number of unclaimed and misplaced print jobs, as well as reduce our paper usage. In total, this initiative has saved 1,300,000 pages of print since its inception, and is anticipated to continue to deliver these savings going forward. Additionally, this has reduced our toner and overall printing costs by \$7,000 per month across all deployed locations.

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<sup>8</sup> <http://www.materialsforthearts.org/about/>



### *Equipment Consolidation*

As a part of Coach's technology strategy, we are continually evaluating our employees' computer and technology requirements. This constant self-evaluation has allowed us to consolidate our equipment and reduce energy requirements in our facilities. Over the last several years, we have retired roughly 50 fax machines and replaced them with fewer multifunction printers. We have also eliminated approximately 80 scanners by implementing a "scan to file" program which allows users to scan documents directly to their email. This had the added benefit of reducing electricity requirements and paper demands. In our computer training room we cut the total number of computers in half by replacing old machines with Apple desktops that are able to run operating systems and software for both Windows and Apple. We have also begun purchasing smaller desktops, which are more energy efficient. Lastly, we are in the process of eliminating local personal printers in New York and New Jersey offices. We plan to eliminate all personal printers when we move to Hudson Yards in 2016.

### *Electronic Waste Recycling*

Significant advancements in technology have facilitated efficient communication and allowed our business to grow and thrive. However, as machines age we are required to upgrade our computers and technical hardware in order to stay competitive and up to speed in a fast-paced work environment. As an organization, Coach refreshes roughly 25% to 30% of our equipment on an annual basis. In an effort to responsibly manage and minimize the impact from the disposal of our equipment, Coach's Technology Services group has, for the past several years, partnered with a third-party electronic recycling organization that is certified as ISO 9001, ISO 14001, and the Responsible Recycling (R2) program to recycle our electronic waste.

The table below outlines the hardware recycled in fiscal 2015. Technology Services has organized regular pick-ups throughout the year since fiscal 2011. In total, we diverted 8,362 pounds of electronic waste from the landfill in 2015.

	LAPTOPS	DESKTOPS	MONITORS (CRT/LCD)	*PERIPHERALS	PRINTERS (DESKTOP)	TELECOMM.
FY14	45	46	117	53	159	101
FY15	66	89	58	281	80	401

*\* scanners, docking stations, keyboards, mice, projectors, receipt printers, computer accessories*

## CARBON FOOTPRINT

To help us understand our impact on anthropogenic climate change, we have begun to estimate the carbon footprint of our business operations. The carbon footprint reported in the following section is an approximation calculated from both measured and projected electricity consumption for Coach leased and owned global corporate offices, Coach-operated global retail stores, and our Jacksonville distribution center.

### *Our Approach*

We have calculated our carbon footprint using the tools provided by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD) Greenhouse Gas (GHG) Protocol, which is the internationally recognized standard for corporate carbon reporting. The protocol breaks emissions into three categories – Scopes 1, 2 (mandatory) and 3 (optional).

- *Scope 1: Direct GHG Emissions* – Direct GHG emissions occur from sources that are owned or controlled by the company, for example emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.<sup>9</sup>
- *Scope 2: Electricity Indirect GHG Emissions* – Scope 2 accounts for GHG emissions from the generation of purchased electricity consumed by the company.
- *Scope 3: Other indirect GHG Emissions* – Scope 3 is an optional reporting category that allows for the treatment of all other indirect emissions. Scope 3 emissions are a consequence of the activities of the company but occur from sources not owned or controlled by the company.

Data collection is a critical component of carbon footprint estimations. Coach has expanded its data collection processes to include Scope 1, Scope 2, and Scope 3 emissions. Electricity data is collected by individuals in either Coach's finance or facilities departments for Coach-owned and leased office spaces and entered into a master excel file. In 2012, we implemented an energy management service to assist in auditing and tracking our energy consumption in North American Retail and Outlet stores. Energy data for Coach's North American offices and retail locations are input into the World Resources Institute (2012) GHG Protocol tool for stationary combustion v. 4.4 to calculate Coach's carbon footprint. In locations where electricity data is unavailable, we use the area method to estimate our carbon footprint.

We have successfully collected energy data representing 90% of our usable office space and distribution facilities based on total square footage reported in our annual 10-K filing. Additionally, about 50% of Coach's retail square footage has measured electricity data to calculate our footprint. Coach continues to improve its data collection processes. Additionally, we estimate all international retail emissions, except for Canada, where we have been able to collect actual data. In the coming years, we are hoping to improve data collection internationally.

### *Our Results*

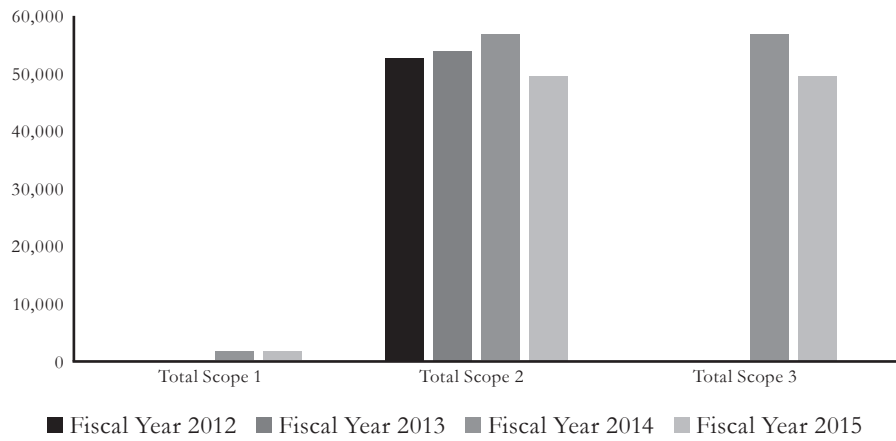
Coach's emissions primarily result from purchased electricity, with a small portion coming from air travel and ocean freight. In fiscal 2015, Coach worked to optimize its store fleet, which resulted in the closing of some of our U.S. stores. We added 28 stores internationally.

From our analysis, we have seen an absolute increase in Scope 1 emissions of 1.4%. Our Scope 1 emissions are extremely small relative to our Scope 2 greenhouse gas emissions, for which we have seen an absolute decrease of 11.53% from fiscal 2014 to fiscal 2015. These decreases come in part from the overall reduction in square footage of our retail footprint; however, on a store-by-store basis, we have seen our energy efficiency upgrades pay off, resulting in lower energy usage per store. On a year-over-year basis, our emissions from corporate operations decreased by 9% for scope 2 emissions.

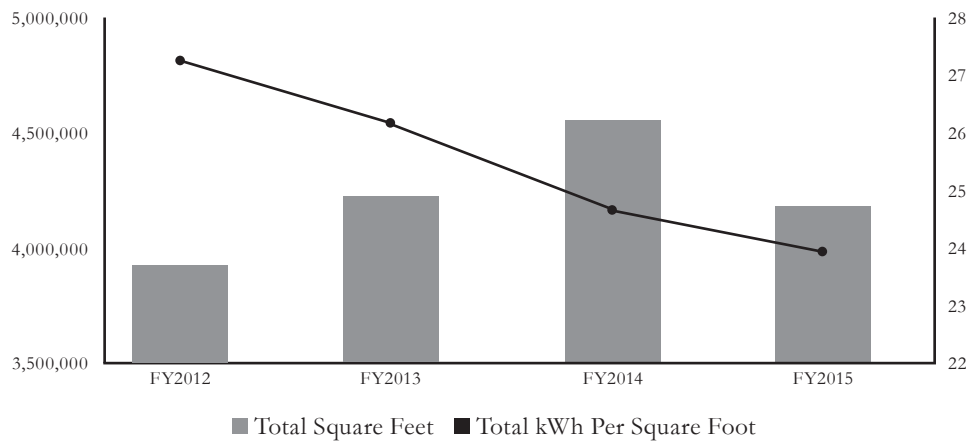
<sup>9</sup> <http://www.materialsforthearts.org/about/>

In our second year of Scope 3 reporting, we saw a reduction of emissions from our ocean freight shipping of 25% due to better planning and timing of orders, but we saw an increase in our emissions from corporate travel due to better reporting. On a year-over-year basis, our Scope 3 emissions saw a decrease of 2%.

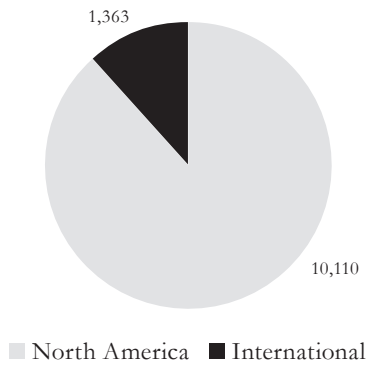
*Total CO2e Emissions by Scope*



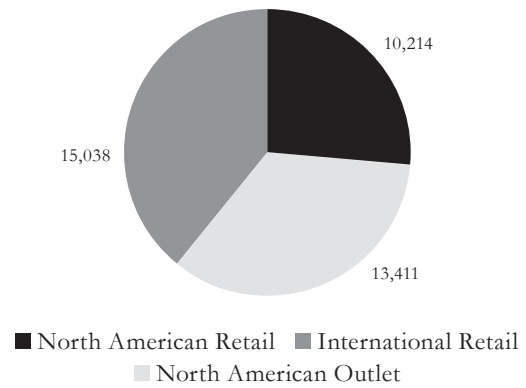
*Global Square Footage vs kWh Per Square Foot*



*Emissions by Region — Corporate (MT CO<sub>2</sub>e)*



*Emissions by Region — Retail (MT CO<sub>2</sub>e)*



*Carbon Disclosure Project*

This year, Coach reported to the Carbon Disclosure Project (CDP) for the first time, responding to the survey on climate change. We received a score of 88D, which was in line with our expectations. The CDP Climate Change program works to reduce companies’ greenhouse gas emissions and mitigate climate change risk by improving corporate awareness through disclosure and measurement. Coach plans to report to the CDP in fiscal 2016.

# PILLAR 4: COMMUNITY EMPOWERMENT – THE COACH FOUNDATION

Coach's fourth pillar is Community Empowerment, brought to life by the philanthropic work of the Coach Foundation and the company's employee engagement initiatives.

With an *endowment of over \$100 million* in 2015, the Coach Foundation continued its work on pressing societal issues such as women's empowerment, education for underserved populations, and projects that support the vibrancy of communities in which Coach has business operations. The Foundation *gave its first grant in 2009*. Since then, under the leadership of the Coach Foundation board, chaired by Coach CEO Victor Luis, the Foundation has invested *over \$30 million* in the nonprofit sector.

As Coach continues to expand globally, the Coach Foundation has increased funding to international nonprofits in geographies where Coach has a presence. In 2015, the Foundation supported *nonprofit partners around the world* working on long-term solutions and demonstrating positive, measurable impacts.

The Coach Foundation highlights from 2015:

- U.S. retail stores “adopted” over *500 public school classrooms* across the country, equipping teachers and students with needed classroom materials.
- In Vietnam, supported the establishment of five primary *school libraries* and the construction of one new primary school library classroom, impacting the lives of over *2,600 children* and their communities.
- Helped provide trajectory-changing *educational opportunities* to more than 2,200 6th-12th grade students across New York City, preparing young women for college and beyond.
- Supported victims of *domestic violence* in Jacksonville, FL, home of Coach's LEED-certified distribution center, through funding of workshops and one-on-one career assistance to empower victims, and by advocating on their behalf.
- Supported 10 *schools in China*, working with over 320 students and 85 teachers.

In addition to partnering with organizations focused on women's empowerment and education, the Coach Foundation has committed grants to both new and historic New York sites, including the High Line elevated park and the Culture Shed. *The High Line* is a public park built on an historic freight line elevated above the streets on Manhattan's West Side. It is owned by the City of New York and maintained and operated by the nonprofit Friends of the High Line. The High Line has become an important companion to Coach as both the inspiration and the setting for Coach's first-ever runway show at New York Fashion Week in 2015.

## SPOTLIGHT: THE CULTURE SHED



With a 200,000-square-foot building being built as a part of the Hudson Yards Redevelopment Project, the Culture Shed is a visual- and performing-arts institution scheduled to open in 2019 on the far west side of Manhattan, at the intersection of the Highline and Hudson Yards.

This not-for-profit will feature versatile spaces for the widest range of performance in music and visual art, along with multi-disciplinary work, events and a creative lab for local artists.

The Coach Foundation is proud to be an early and significant contributor to this new institution.

## GLOBAL RELIEF EFFORTS

The Coach Foundation and Coach employees are committed to supporting areas affected by natural disaster. Through contributions to organizations like the American Red Cross, the Coach family has helped fund shelter, food, and emotional support in times of crisis.

In recent years, The Coach Foundation has supported the following relief and recovery efforts:

- May 2013 – The Coach Foundation made a \$100,000 donation to the American Red Cross when a severe tornado touched down in Moore, *Oklahoma*.
- October 2012 – The Coach Foundation donated \$2,000,000 to the American Red Cross for relief efforts when *Hurricane Sandy* bombarded the Northeastern United States. Coach's Human Resources department organized an employee-to-employee contribution program and, in partnership with New York Cares, Coach established drop boxes for employees to donate gently-used warm clothing. Employees also volunteered throughout the region to support stricken areas.
- May 2011 – The Coach Foundation gave \$100,000 to the American Red Cross after dozens of tornados ravaged the southern *United States*.
- March 2011 – Coach donated \$5,000,000 to the Japanese Red Cross Society in the wake of a devastating earthquake and tsunami off the coast of *Japan* that caused catastrophic damage. Employees contributed an additional \$150,000 to support their team members in Japan.
- January 2010 – The Coach Foundation donated \$100,000 to the American Red Cross following a 7.0 magnitude earthquake that caused catastrophic damage in *Haiti*, affecting as many as three million people.

### SPOTLIGHT: DISASTER RELIEF & RECOVERY



Coach employees, supported by the company and the Coach Foundation, are committed to providing relief and recovery efforts following natural disasters around the world.

Since 2010, Coach and the Coach Foundation have together given over \$7,000,000 to organizations working on the scene to support immediate needs and to help communities get back on their feet.

## EMPLOYEE MATCHING GIFT PROGRAM

Through the Coach Foundation's matching gift program, Coach employee donations to qualifying nonprofit organizations are matched throughout the year. In 2015, the Coach Foundation was proud to offer one of the most generous corporate employee-matching programs. In fiscal 2015, the Coach Foundation contributed \$375,000 to match donations made by U.S. and Canada-based, full- and part-time Coach employees.

## EMPLOYEES IN THE COMMUNITY

In addition to financial contributions, throughout the year many individuals and departments at Coach have found opportunities to help out in the community.

One of the largest events that Coach employees took part in during 2015 was the JPMorgan Chase Corporate Challenge in New York City. Coach has been a part of this annual event, which benefits the Central Park Conservancy, for 18 years. One hundred and eight Coach employees participated in this year's 5K run through Central Park.

"There is a lot to be said about a company giving back to the local New York City community. Coach puts people at the forefront of their values. It's also nice to think that come September, a child will walk into their first day of school and smile when they see the murals we helped to paint." — Adriana Gini, Human Resources Intern

### SPOTLIGHT: COACH VOLUNTEERS



Not only do Coach employees give back to nonprofit partners, but volunteer service is an important component of the Coach summer internship program each year.

In 2015, 60 of Coach's New York Summer interns and their mentors joined forces with New York Cares to volunteer at PS 76M, a local New York City school. The team refreshed murals around the school, painted canvases and stained benches.



# LOOKING TO THE FUTURE

As our program continues to evolve, we understand that sustainability has strong and direct implications on our financial competitiveness and success. While formalizing our strategy, we have ensured that each of our four pillars addresses not only issues of environmental and social sustainability, but our company's financial sustainability as well. We believe that our 2016–2020 goals have aligned our sustainability strategy with our business strategy in support of long-term financial success.

As we focus on developing strong partnerships with the service providers who manufacture our products, we know that this will establish Coach as a company that values human rights and fair labor. By engaging and inspiring our employees, we will continue to attract and retain a productive, motivated, and highly skilled workforce that is loyal to the company and focused on driving business results. As Coach focuses on environmental conservation, we will build meaningful partnerships with our suppliers and reduce the environmental impacts associated with the consumption of energy, water, and waste. Lastly, as we support the community through the Coach Foundation, we will build long-lasting relationships in the areas where we operate.

Sustainability is an ongoing journey, and Coach is increasing its ability to address the challenging sustainability issues in our industry through sharing our progress and metrics, and responding to surveys like the CDP. Industry issues like worker safety, access to clean water, and climate change impact our business now and will impact our business in the future. However, with our internal support for sustainability, along with our strategy and goals for 2020, we are confident that we are well positioned to meet the challenges and opportunities before us.





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