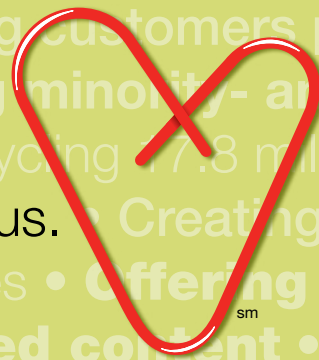
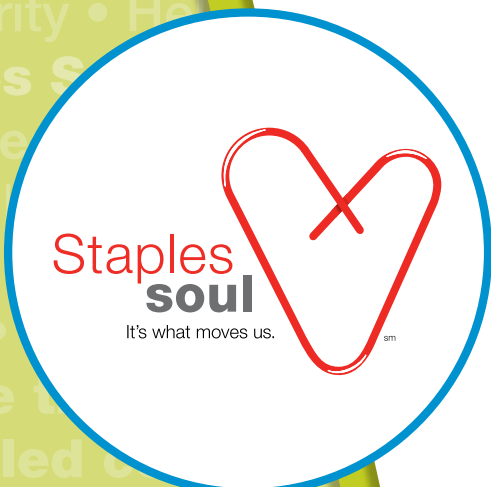


post-consumer recycled content • Fighting the spread of dengue fever
Introducing children to the magic of books • Creating an atmosphere of
inclusion, learning and growth • Helping minority- and women-owned
companies grow their business • Recycling 17.8 million ink and toner
cartridges • **Staples Soul was here** • Introducing children to the
magic of books • Creating an atmosphere of inclusion, learning and
growth • Creating a culture of integrity • Helping customers protect their
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customers protect their identities • **Offering more than 2,900 products
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their identities • Helping minority- and women-owned companies grow
their business • Recycling 17.8 million ink and toner cartridges • **Staples**







• a message from Ron Sargent, Chairman and Chief Executive Officer

Staples Soul was here.

Last year we took our commitment to corporate responsibility to a new level, creating an official program that we call Staples Soul. We purposefully linked our Soul values to our business strategies, operations and company-wide objectives. I'm proud to report we made clear progress in all four of the Soul pillars: ethics, environment, community and diversity.

New programs helped strengthen our commitment to maintaining a culture of integrity in 2006. We created our Speak Up program to foster open and honest communication and encourage our associates to make sound decisions. We also launched a comprehensive information protection and privacy program to ensure that we're safeguarding our customers' information to the best of our ability. We reinforced these and other key programs in our Code of Ethics training, completed by approximately 11,000 associates in the U.S.

Some of our most exciting achievements were global in scope. In 2006, Staples Foundation for Learning®, the cornerstone of our community efforts, launched a \$500,000 partnership with Ashoka's Youth Venture Program in Argentina, Brazil, France, Germany and Spain. This partnership will enable young social entrepreneurs around the world to make positive, lasting changes in their communities. Overall, Staples and Staples Foundation for Learning contributed more than \$12.8 million to worthwhile charitable organizations and causes, an increase of 40 percent from 2005.

Our diversity efforts also went global with the launch of our new International Management Trainee Program, which brings associates from around the world to our Home Office for a pioneering exchange of ideas, culture and best business practices. Programs like this, along with our commitment to diversity suppliers, helped Staples earn a spot in DiversityBusiness.com's 2006 "Top 50 Corporations" list.

Finally, we made great progress with our environmental initiatives. The average post-consumer content of all paper products sold in 2006 reached 30 percent, thanks to the efforts of the associates sourcing these products and to our customers for purchasing them. We doubled our use of clean, renewable power and installed six new rooftop solar power systems at select distribution facilities and stores. And, as a result of our recycling programs, there are 17.8 million fewer ink and toner cartridges in landfills today.

In this, our second comprehensive Staples Soul Report, we provide more details on our accomplishments in 2006 and some of our goals for the coming years. While I'm proud of all we've achieved at Staples, I know we can and must do more. In the years ahead, we will continue to reach out and find meaningful ways to connect with and support our communities. We'll also seek new ways to help protect and preserve the environment through our product and service offerings. And, of course, we'll continue to promote a culture of diversity, inclusion and integrity.

Selling office products is what we do, but Staples Soul is what moves us. Looking back at our achievements in 2006, I am proud to say that around the U.S. — and even the world — Staples Soul made a positive impact for our associates, the communities in which we operate and the environment. We look forward to the challenges ahead, and to finding more ways to make the world a little better.

Sincerely,

Ron Sargent
Chairman and CEO
Staples, Inc.

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corporate responsibility at Staples

- company profile

Staples, Inc. pioneered the office supplies superstore industry with the opening of our first store in Brighton, Massachusetts in 1986. Today, Staples is the world's largest office products company. We make it easy for our customers to purchase a wide range of office products, including office supplies, technology, furniture and business services. We serve our customers through our retail, mail-order catalog, eCommerce and contract businesses. Our customers include consumers and businesses ranging from home-based enterprises to Fortune 500 companies in 22 countries throughout North and South America, Europe and Asia.

Staples is organized into three major business segments:

North American Retail — Includes all retail store operations in Canada and the United States, with more than 1,620 office superstores by the end of fiscal year 2006.

North American Delivery — Includes Contract, serving mid-size to large companies; the direct mail office supply company Quill; and Staples Business Delivery[®], which includes staples.com[®] and Staples' catalog operations.

International — Consists of retail and catalog operations in Europe; ownership of OfficeNet, an office products delivery business serving customers in Argentina and Brazil; and joint ventures in Asia.

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More detailed information about our operations, structure and financial performance is presented in our 2006 annual report or our 2006 10-K, both available at <http://investor.staples.com>.

Our vitals as of year end 2006

| | |
|-------------------------|----------------|
| Sales | \$18.2 billion |
| Associates | 74,000 |
| Retail stores worldwide | 1,884 |
| Headquarters | Framingham, MA |

Staples operates in 22 countries around the world

Argentina, Austria, Belgium, Brazil, Canada, China, the Czech Republic, Denmark, France, Germany, Hungary, India, Italy, Luxemburg, Poland, Portugal, Spain, Sweden, Switzerland, the Netherlands, the U.S. and the United Kingdom



Financial and operating information (fiscal years 2002 to 2006)

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Sales | \$18.16 billion | \$16.07 billion | \$14.45 billion | \$12.97 billion | \$11.60 billion |
| North American Retail | \$9.94 billion | \$9.04 billion | \$8.32 billion | \$7.67 billion | \$7.17 billion |
| North American Delivery | \$5.86 billion | \$4.95 billion | \$4.20 billion | \$3.70 billion | \$3.39 billion |
| International Operations | \$2.36 billion | \$2.10 billion | \$1.93 billion | \$1.60 billion | \$1.04 billion |
| Gross Profit | \$5.19 billion | \$4.59 billion | \$4.10 billion | \$3.50 billion | \$2.94 billion |
| Net Income | \$973.7 million | \$834.4 million | \$708.4 million | \$490.2 million | \$446.1 million |
| Diluted EPS (pro-forma) | \$1.32 | \$1.12 | \$0.93 | \$0.66 | \$0.63 |
| Total Retail Stores | 1,884 | 1,780 | 1,680 | 1,559 | 1,488 |
| United States | 1,342 | 1,260 | 1,188 | 1,134 | 1,088 |
| Canada | 278 | 262 | 238 | 224 | 212 |
| Europe | 264 | 258 | 254 | 201 | 188 |
| Worldwide Associates | 73,646 | 68,304 | 63,843 | 59,230 | 54,834 |
| Salaried (% of total) | 21% | 20% | 20% | 19% | 19% |
| Full time (% of total) | 55% | 54% | 52% | 51% | 51% |

• report scope and profile

The 2006 Staples Soul Report is the second comprehensive corporate responsibility report we have produced and the third overall since 2004. Staples reports information annually based upon our fiscal year unless otherwise noted. Fiscal year 2006 ran from January 29, 2006 to February 3, 2007. As part of our commitment to the environment, this report is available electronically — we have not printed hard copies of the full report for distribution externally. However, a summary of this report is available in hard copy as part of our 2006 annual report.

The Staples Soul Report focuses primarily on our U.S. operations, as the U.S. is where the majority of our business operations are located and where we earn the largest portion of our revenue. We've included additional information about our initiatives and accomplishments internationally as well, where available. As our global operations mature, we will seek to include more detailed information in the years to come.

We have consulted the Global Reporting Initiative (GRI) 2002 Sustainability Reporting Guidelines in the development of this report (www.globalreporting.org). Based on an internal assessment formed by interactions with various stakeholder groups, we have endeavored to report what we believe is most relevant and valuable to our stakeholders. However, we still have several gaps in our data-collection systems and processes, particularly with respect to international environmental data, that we estimate will take several years to address and resolve.

We believe that the information presented in this report is accurate and fairly represents our corporate responsibility programs and results. However, this report has not been externally audited or verified.

- our vision and strategy for corporate responsibility

what is Staples Soul?

Staples Soul reflects our commitment to corporate responsibility. It's what moves us to embrace diversity, sustain the environment, give back to our communities and practice sound ethics. Linking these values with our global business strategy and operations contributes to our financial success and helps us become a great employer, corporate citizen and neighbor.

strategic importance and business value

Staples is focused on serving as the world's best office products company by differentiating our brand, gaining a leadership position in all markets and operating our business in the most efficient and cost-effective way. We cannot achieve and maintain these objectives without considering how our business impacts global societal trends and how they affect our business. Therefore, we believe we must develop strategies and programs to address risks and take advantage of available opportunities.

Heightened customer privacy and corporate governance concerns, globalization, increased demands on finite natural resources, and a heightened focus on business leadership to help resolve social and environmental problems are several core issues that will continue to impact how Staples does business in the twenty-first century.

We understand that failing to protect our customers' information or maintaining effective corporate governance structures puts us at risk of losing shareholder and customer trust and loyalty. Strong leadership in these areas helps build investor and customer loyalty. Helping us meet these challenges are initiatives such as our focus on Code of Ethics training; our Speak Up program, which encourages management to openly communicate with their direct reports about ethics and provides associates with many options for raising concerns; our new information protection and privacy program; and more.

Globalization poses many challenges and opportunities, including a need for flexible business strategies, innovation and the ability to reflect the face of our diverse customers. Our diversity and associate relations programs are designed to help us embrace and meld many cultures, languages and work strategies to create a pioneering, efficient and satisfied workforce. We are also refining our recruiting strategies to attract and retain the most talented workforce to meet the ever-changing challenges that globalization presents. Our global community outreach fosters critical connections to the local community. To build strong, enduring relationships with local communities as well as each individual patron, our community strategy looks at and plans for important factors such as job creation, stimulation of the local economy, financial support of relevant local charities and the addition of more volunteers by way of our associates.

While globalization is a growing trend, we know customers do not want to feel as if they are dealing with a global chain; they want top-quality customer service. To better understand our customers — both their needs and their perceptions of Staples — we solicit feedback through customer surveys and encourage open communication via email, phone or personal interaction with a local manager.

Our ethics program helps address the impacts of contract manufacturing within developing nations by working to ensure that the products we offer are sourced ethically. And our environmental programs seek to minimize the effects of our supply chain on ecosystems globally by making more environmentally sound choices in product development and in the recycling services we provide.

Demand for limited natural resources such as paper and fossil fuels affects our raw material and service costs, as well as our ability to maintain our competitive position and pricing. Reliance on fossil fuels could lead to dramatically increased energy costs, disrupted supply chains, economic downturns and other significant market impacts. Our environmental programs and focus on efficiency help us mitigate these risks, enable us to operate more efficiently, and differentiate Staples from the competition by providing solutions for our customers, including innovative environmental products and recycling services.

The increased focus on corporate citizenship has raised the bar for business, with growing numbers of customers and investors becoming more informed about the brands that they invest in or shop. Failing to exceed expectations related to all areas of corporate citizenship has become a disadvantage in the marketplace. In short, we feel that conducting our business with Soul enables us to meet the challenges faced by emerging market and societal trends and will contribute to our future financial success by:

- Enhancing trust and respect in our company because of the high ethical standards we set for ourselves and our partners
- Maximizing our operational efficiencies through a reduced environmental footprint, and differentiating our brand by offering an expanded and easy-to-find selection of environmentally preferable products and services
- Increasing customer and associate loyalty as we give back to the communities where we operate
- Meeting the needs of our multicultural customer base by fostering a diversity of talent and innovative thinking
- Becoming a top-notch employer and driving associate work satisfaction

For more information on the various Staples Soul program initiatives and tactics that Staples is pursuing to respond to these global trends and to help Staples succeed, see the [Ethics](#), [Environment](#), [Community](#) and/or [Diversity](#) sections of this report.

2006 awards and recognition

- Member of the Dow Jones Sustainability Indexes (DJSI)
- Listed as one of *Fortune's* "Most Admired Companies"
- U.S. EPA Green Power Leadership Award winner for green power purchases
- DiversityBusiness.com's "America's Top 50 Corporations for Multicultural Business Opportunities" list
- Named one of the "400 Best Big Companies" by *Forbes* magazine

structure

Staples has several business leaders who drive specific aspects of the Staples Soul program.

ethics

Our Vice President of Business Ethics reports to our Senior Vice President General Counsel and is responsible for global ethics, compliance and privacy programs. The VP of Business Ethics works closely with the Human Resources, Internal Audit and Legal departments and periodically updates the Board of Directors.

environment

The Vice President of Environmental Affairs reports to our Senior Vice President General Counsel and is responsible for global environmental programs and performance. This position works closely with our Merchandising, Staples® brand, Real Estate and Marketing teams to develop environmental product and service offerings and to reduce the environmental footprint of our internal operations. The VP of Environmental Affairs periodically meets with the Board of Directors to discuss program initiatives.

community

Our Manager of Community Relations reports to the Vice President of Public Relations and is responsible for all community relations–related programs globally, including our relationship with Staples Foundation for Learning® as well as all strategic relationships, giving and associate involvement in the community. The Staples and Staples Foundation for Learning Boards of Directors regularly discuss our community programs with the Manager of Community Relations.

diversity

The Vice President of Associate Relations and Global Diversity reports to the Vice President of Human Resources Service and Development and leads all associate relations and global diversity initiatives. The Director of Diversity Initiatives, North American Delivery reports to the President of North American Delivery and focuses on driving our supplier diversity program forward by increasing product and service offerings from diversity suppliers. The Director of Diversity Initiatives also partners with the Vice President of Associate Relations and Global Diversity to increase internal diversity hiring and retention within our North American Delivery business unit. Both leaders work with many other departments across the company and periodically update senior management and the Board of Directors on the progress of these diversity initiatives.



the Staples Soul team (left to right)

- Mark Buckley, Vice President of Environmental Affairs
- Tara Spann, Director of Diversity Initiatives, North American Delivery
- Briana Curran, Program Manager, Public and Community Relations
- Doreen Nichols, Vice President of Associate Relations and Global Diversity
- Nan Stout, Vice President of Business Ethics
- Jake Swenson, Program Manager, Corporate Responsibility
- Joy Errico, Manager of Community Relations

- performance summary

Staples tracks performance metrics across the four pillars of Staples Soul that are important to our business and stakeholders. Information about some of these key metrics is provided in the following table.

| Performance indicator | 2006 | 2005 |
|---|--------------|-------------|
| ethics | | |
| Percentage of salaried associates in U.S. who have completed Code of Ethics training | 100% | 63% |
| Number of factories audited for compliance with Staples' Supplier Code | 303 | 233 |
| Percentage of factories taking corrective action to resolve violations of Staples' Supplier Code | 44% | 30% |
| environment | | |
| Percentage of post-consumer recycled content by weight across all paper products sold by Staples in the U.S. and Canada | 30.0% | 29.9% |
| Energy use per foot ² in the U.S. (BTU) | 67,100 | 69,500 |
| GHG emissions per foot ² in the U.S. (kg of CO ₂ equivalents) | 6.1 | 7.7 |
| Weight of computers and peripherals recycled in the U.S. (tons) | 3,580 | 355 |
| community | | |
| Total charitable contributions (not including disaster relief) | \$12,877,000 | \$9,168,822 |
| Staples Foundation for Learning® | \$3,000,000 | \$2,000,000 |
| In-kind donations | \$7,039,000 | \$4,198,161 |
| Cash donations | \$2,838,000 | \$2,970,661 |
| Organizations supported by Staples Foundation for Learning | 209 | 121 |
| diversity | | |
| Female employees (%) | 45% | 45% |
| Minority employees (%) | 34% | 32% |
| Female senior management (%) | 31% | 28% |
| Minority senior management (%) | 8% | 7% |

- **who does Staples Soul touch?**

Our corporate responsibility programs endeavor to make a difference for all of our stakeholders — customers, shareholders, associates, suppliers, investors, communities where we operate, nonprofit organizations we support, and others. Here’s a look at how we engage with these groups. Additional information about some of these efforts is available elsewhere in this report.

| Stakeholder | Engagement strategies and examples of outreach |
|-------------------------|---|
| Customers | We make buying office products easy. That’s the promise we strive to deliver every day. How do we know if we’re hitting the mark? — We conduct third-party “mystery shops” as well as tens of thousands of customer satisfaction surveys each month. Based on survey feedback, we’ve specifically designed environmental, community, diversity and ethics programs to enhance customer satisfaction. |
| Communities | The communities where our associates and customers live and work are the cornerstone of our company-wide community outreach. We use surveys here as well to gauge community awareness and opinion of Staples’ involvement in the community. Sampling a general population helps us determine where we need to increase our outreach efforts. When we open new stores, we directly engage key community leaders and constituents to determine the needs of the community, how Staples can help make a difference, and which nonprofit organizations we should work with in their community. |
| Associates | “We value and count on each member of our diverse and talented team.” That’s a line directly out of our TeamCARE values, one of the many tools we use to engage our associates, measure work satisfaction and motivate associates to actively contribute to Staples’ ongoing success. Our own Staples University fosters a culture of continual development and growth for all associates through live classes and online courses. Frequently, we reach out to associates through targeted campaigns consisting of print, online and broadcast vehicles that reinforce core messages, goals and values in every market in which Staples has a presence. To make work fun and help maintain a competitive position in the marketplace, we run a Staples® <u>Invention Quest</u> ® for Associates contest to encourage our people to develop innovative new product ideas. Finally, through pulse surveys and focus groups, we gather meaningful feedback from associates in our Home Office and the field that enables us to fine-tune our programs. |
| Nonprofit organizations | Over the course of 2006, Staples Soul engaged with hundreds of nonprofits across a variety of communities. We launched a new initiative with the <u>Ashoka Youth Venture</u> program and supported 209 diverse nonprofit organizations. We fostered the development of future diverse business leaders through our support of the organization <u>INROADS</u> . We also worked with Metafore’s <u>Paper Working Group</u> on sustainable paper sourcing and the <u>World Resources Institute</u> on energy issues. |
| Investors | Staples makes every attempt to provide a transparent picture of our programs to our investors. The socially responsible investment (SRI) community periodically seeks information on our corporate responsibility programs as part of their investment portfolio screening process. We have provided information to the SRI research firms Sustainable Asset Management and KLD. We also responded to the fourth survey of the Carbon Disclosure Project, a collaboration of more than 200 institutional investors globally seeking information on the actions that businesses are taking toward climate change. |
| Suppliers | Protecting workers’ human rights, ensuring fair wages, creating a safe working environment, treating employees with respect and dignity — these are some of the values that are supported by Staples and clearly spelled out in our <u>Supplier Code of Conduct</u> . We require all vendors who provide Staples® brand products to adhere to our Supplier Code of Conduct and strongly recommend that our other vendors and partners adhere to similar standards. |



Staples Soul was here.



ethics

Business ethics came alive for several members of our Products Solutions Sales team when a customer — the owner of a bed and breakfast — offered Sean a gift certificate to stay at her inn as a token of appreciation for Sean’s great customer service. Sean was touched by the offer, but he was not sure whether it would be appropriate to accept a gift certificate for performing his job. Having recently completed ethics training, Sean remembered that accepting the gift could be risky and that the best course of action was to discuss the situation with his managers, Staci and Chris. After checking with Staples’ Vice President of Business Ethics, Staci and Chris learned that Staples’ Code of Ethics did not specifically prevent Sean from keeping the gift certificate. Nevertheless, the team ultimately decided to return the gift because they did not want to send the wrong message to the customer or other members of the team. They were inspired by the President of their division, who once told a story about turning down a free golfing trip to avoid the appearance of a conflict of interest.

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Ensuring our associates make quick, effective, ethical decisions. **Staples Soul was here.**

And here. Giving associates a confidential and safe forum to ask questions and report potential ethics violations.

And here. Protecting customers' personal information, such as credit card and contact information.

And here. Manufacturing high-quality, affordable shredders to help our customers protect their own identities.

The goal of our ethics and compliance program is to ensure that associates act with integrity in everything they do. Promoting a culture of integrity contributes to our financial success by ensuring that we protect valuable assets such as our brand, our customer and business information, and the trust of our customers and investors.

We work to drive associate integrity through appropriate governance and control structures; various policies, procedures, and training and awareness initiatives; information and privacy protection; and ethical sourcing. Staples' VP of Business Ethics is responsible for driving all ethics initiatives globally at Staples, in cooperation with various other departments.

While many initiatives have been introduced or are currently under way, the Business Ethics department was created only a few years ago, in 2004, so several ethics and compliance programs are still in development. This includes many of our international ethics training and awareness vehicles as well as our global bribery and corruption policy and program. In addition, our information protection and privacy program and our ethics case-management tool are both new programs that are still maturing and evolving.

As we continue to expand our ethics program, we intend to focus on the following efforts:

- Continuing to drive a culture of integrity and commitment to compliance with the law by educating managers about our Code of Ethics and holding them accountable for setting the right ethical tone with their teams
- Improving our ability to detect, analyze and learn from potential ethics and compliance issues by reinforcing our Speak Up program and improving our case-management and tracking capabilities
- Developing and implementing an ethics survey to gain, monitor and measure insights from internal perceptions about our culture of integrity
- Conducting targeted workshops with select international business units to anticipate and proactively address potentially risky business practices that could otherwise undermine our culture of integrity
- Building awareness of our Code of Ethics in each of our international locations, through targeted communication and training efforts, including launching online Code of Ethics training in Canada and other international locations, where appropriate
- Reinforcing our zero-tolerance policy against bribery by developing and implementing a global anticorruption policy and programs and by working with a nonprofit organization focused on combating bribery globally

“We count on each and every one of you to do the right thing every day. That means having the courage to speak up when you’re not sure how to handle a situation, or when you see something that just doesn’t feel right. For our managers, it means creating an environment where associates feel comfortable raising small issues before they become big ones. Usually, sound judgment and common sense are all you need to make the right choices. When you’re faced with unfamiliar or complex situations, however, we’re here to help — and can offer a number of resources to help you identify the right path. By working together, we’ll continue to stand out as ethical leaders in our industry.”

– Ron Sargent, Chairman and CEO

• corporate governance

Our commitment to corporate governance has created a strong framework for responsiveness and accountability.

To learn more about our current corporate governance programs, review our 2006 Annual Report and proxy statement or visit <http://investor.staples.com> under the Corporate Governance section. Some highlights of our governance structure include:

- **Committee independence.**All members of our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are independent directors
- **Annual election of directors.**Our directors are elected annually
- **Majority voting.** At this year's annual meeting, we are asking our stockholders to adopt a majority voting standard for uncontested director elections. We currently have a director resignation policy that requires directors who receive a majority of votes "withheld" from their election to tender their resignation from our Board
- **No shareholder rights plan.**We do not currently have a shareholder rights plan in effect and are not considering the adoption of one
- **Lead Director and required meetings of independent directors.** Our independent directors, led by our Lead Director, held separate meetings following each regularly scheduled meeting of our Board during 2006 and we expect they will continue to do so in subsequent years
- **Stock ownership guidelines.** Our stock ownership guidelines require nonmanagement members of our Board to own a minimum level of equity in Staples worth either at least four times the annual Board cash retainer (currently \$50,000) or \$200,000. These guidelines also require minimum equity ownership levels for specific executive officers, including our Chairman and Chief Executive Officer
- **Board independence.**In accordance with our Corporate Governance Guidelines, our Board determined that all of our directors are independent except Ron Sargent, who is employed as our Chairman and Chief Executive Officer, and Basil Anderson, who was employed as our Vice Chairman from September 2001 until his retirement in March 2006

- a culture of integrity

We've built a culture of integrity, with our Code of Ethics as its foundation. The Code, which we introduced in 1995, sets forth our core expectations for our associates worldwide. In 2006, we translated the Code into 12 languages and are distributing it to associates in nearly 20 countries. To learn more, read Staples' Code of Ethics or visit our Web site at www.staples.com/ethics.

Our Code of Ethics is supplemented by many other policies and controls at Staples, including our corporate governance structure, contract authorization policy, travel and expense policy, and information protection and privacy policy, among others. To help the Code of Ethics and related policies come to life for our associates, we conduct ethics training and use a variety of communication channels and methods to raise awareness among our associates. These initiatives are critical to helping drive a culture of integrity.

ethics training and awareness

We tailor our ethics communications and training vehicles to our audiences. We ask all salaried associates and all hourly associates in office-related roles in the U.S. to complete online ethics training. Approximately 11,000 of our associates in the U.S. fall into this category. The remainder of nonsalaried retail store, distribution and other hourly associates who are not in office-related roles learn about their ethical responsibilities through our associate handbook, the new hire training process, team meetings with their managers, and internal newsletters.

Staples first launched our online ethics training in 2005. In 2006, we updated the content of the training to better highlight key issues, respond to associate feedback, and to ensure that ethics training is embedded into required training for new associates. We're proud to say that from fiscal year 2006 into early 2007, 100 percent of active salaried associates in the U.S. completed the training.

In an effort to deliver the most job-relevant training possible, we customized the material in the training program to address the needs of various business units by including realistic multiple-choice scenarios taken from actual ethical dilemmas and challenges that our employees face. We split the training programs into a retail program,

with material specific to retail store managers, and a corporate version, which addresses needs across a variety of departments and functions, from our marketing and finance teams to our business-to-business sales force. During the training, associates face a number of scenarios that may come up in their daily work.

Scenarios that associates face during Code of Ethics training

| Retail | Corporate |
|--|---|
| Can you put a computer in the back room for another associate until that item goes on sale? | What steps do you need to take before sharing customer information externally to ensure it remains protected? |
| In what ways can you speak up confidentially if you see another associate or a manager behave unethically? | Can you accept an offer from a vendor to arrange an internship interview for your child? |
| Can you use coupons outside of their intended use as long as you're helping drive store sales? | What's the best way to proceed if you learn that a general manager is handing out coupons inappropriately? |

As part of our ethics awareness communication, we include ethics messaging in numerous internal communication vehicles, including our North American Delivery newsletter and our flagship publication, Staples News. Various executives, including Chairman and CEO Ron Sargent, President of North American Delivery Joe Doody, and President of U.S. Stores Demos Parneros, help set the tone at the top by reinforcing the importance of ethical behavior in a variety of presentations at annual conferences and weekly meetings. And in 2006, our VP of Business Ethics, Nan Stout, presented to numerous groups across the company.

We also created an Ethics Resource Center on our company intranet, geared to help associates across our business learn more about our ethics programs and find out what to do if they run into a potential violation.

Our associates can access a wide range of resources from our online Ethics Resource Center, available on the company intranet, Staples@work, including the Code of Ethics, contract authorization policy, information protection and privacy policy, a link to the online ethics training, contact information for the EthicsLink helpline, and other pertinent policies and resources.



Speak Up

Having policies in place to prevent ethics violations is only one part of the equation. At Staples, we feel it is imperative to create a culture of open and honest dialog. To encourage straightforward communication, we launched the Speak Up program in 2006. Speak Up enlists associates at all levels to voice, safely and confidentially, any ethical questions or concerns. This program helps promote an ethical culture by giving associates multiple channels to voice their concerns in a way that is most comfortable for them: working with their manager or another manager, working through Business Ethics or HR, or contacting our global Speak Up phone line and Web site. This resource, operated by an independent third party, is for associates who feel more comfortable discussing issues and reporting possible violations confidentially and anonymously, without going through their manager or department. The Web site is www.staplesethicslink.com.

did you know?

- 94 percent of Staples associates taking the ethics training agreed that the training helped them understand how to apply the Code of Ethics at work
- Staples has ethics champions in nearly every country in which we operate
- In 2006 we began a global expansion of our Code of Ethics awareness and training with the goal of bringing the Code to life for associates in our European, South American and Asian businesses, so they can readily understand how the Code applies to their everyday jobs
- Based on an internal survey in which associates across the U.S. anonymously responded:
 - 89 percent of Staples associates believe that ethics is a part of Staples' everyday culture
 - 97 percent of associates understand the ethical and legal standards that apply to their job
- More than 3,000 associates participated in our second annual Records Retention and Cleanup Day

what to save. what to shred.

As a large company, we amass a lot of records. To ensure our associates save appropriate documentation and destroy other records safely and legally, we follow a corporate records and data retention policy. In 2006, we held a Records Retention and Cleanup Day at many of our corporate office sites. During this event, we:

- Encouraged associates to clean up electronic and hard copy records, within established guidelines
- Conducted a survey on Information Policy and Protection issues and held a raffle in each location, and gave away four Staples® MailMate™ shredders

This event resulted in the recycling of 15.5 tons of paper (more than 620 cases of paper) and deleted 94 gigabytes of data.



Since launching Speak Up, we've seen an increase in the number of questions we receive from associates. Many of these questions relate to our policies regarding gifts and entertainment; here's a sampling.

- Is it okay to accept basketball tickets offered by a vendor?
- I've been invited to an event for executives from a handful of companies. A vendor would pick up the costs, including all meals and lodging, for the day-and-a-half event, which is designed to give these executives a chance to learn from one another. I am interested in attending to build relationships with these executives and possibly open doors with potential new customers.
- I was offered four tickets to a corporate-sponsored golf tournament. The offer also included clubhouse hospitality of luncheon and a nominal gift bag. Total value would be approximately \$200–\$250. In previous years when I accepted these tickets, I was working in an environment that interfaced with the corporate sponsor and accepted with the knowledge of my immediate supervisor. Now that my role has changed, can I accept the tickets?

So what happens if we receive a report of a potential ethics violation? While the initial steps vary somewhat depending on who receives the initial report, the issue is always brought to the attention of the VP of Business Ethics, who helps identify the right investigation team for the issue to ensure that it will be investigated and resolved as promptly and thoroughly as possible. Each situation is different, but we follow up on every case. Sometimes, a case will result in disciplinary action. Other times, we may discover not a wrongdoing, but a procedure that could be improved.



helping Staples associates tackle ethical dilemmas

When you're faced with a difficult choice as a Staples associate, ask yourself these important questions:

- Is it legal?
- Is it consistent with our TeamCARE values?
- Does it comply with our policies?
- Is it best for the company as a whole?
- How would it look in the newspaper?
- What would your family think?

If your answer to any of these questions makes you think twice, call the **Ethics Line** at 1-888-490-4747.

• information protection and customer privacy

Staples is taking action to ensure we protect our customers' information, including credit card numbers, contact information and more. We understand that much of the information we store is particularly sensitive and could harm our customers, shareholders and/or associates if it were to fall into the wrong hands. A key part of the information protection and privacy program is making sure our associates take the right steps to protect customer, associate and business information.

Our new internally facing information protection and privacy program, developed in 2006, helps our associates understand their responsibilities related to accessing, using and sharing information. To further our goal of ensuring that associates safeguard private information, we include an Information Protection policy signoff and scenarios focused on customer privacy as part of our online Code of Ethics training program. To prevent as many missteps as possible, we took a detailed look at what we store, and carefully identified the steps we expect associates to follow. We also established an Information Protection and Privacy Steering Committee to help guide program development and integration into our business operations.

Finally, as we recognize that no systems are 100 percent secure, we have developed a comprehensive crisis response plan to help ensure that if confidential data does fall into the wrong hands, we are ready to handle the situation quickly and responsibly.

Staples Information Protection and Privacy Steering Committee

Shira Goodman, Executive Vice President of Marketing

Kristin Campbell, Senior Vice President General Counsel

Nan Stout, Vice President of Business Ethics

Brian Light, Executive Vice President Chief Information Officer

Christine Komola, Senior Vice President Corporate Controller

handling our information responsibly

We count on each associate to protect information relating to our customers, other associates and business. Here's a sample of tips we regularly share with associates to make safekeeping private information as easy as possible.

1. Make sure you share sensitive information only with individuals who need it to do their jobs
2. Lock up your computer when you're not at your desk (click Control+Alt+Delete, then lock your PC)
3. Select a unique password that only you know
4. Get in the habit of shredding sensitive documents or putting them in your building's locked recycling bins
5. Stay nearby when printing, copying or faxing sensitive documents

communicating the importance of information protection

Take a look at the questions we asked associates to answer in order to qualify to win one of four new MailMate™ shredders.

1. When handling sensitive information, it's safe to assume that it can be shared with anyone at Staples unless you're told otherwise.
True or False
2. You should have access only to the customer, associate and business information that you need to perform your job.
True or False
3. If you suspect an actual or potential privacy or security incident, you must report it.
True or False
4. It's safe to send credit card information or social security numbers to people outside the company by regular email.
True or False
5. It's OK to share sensitive information with third parties as long as they say they'll keep it private.
True or False

Five Easy Ways You Can Protect Our Information:

1. Make sure you only share sensitive information with individuals who need it to do their jobs.
2. Lock up your computer when you're not at your desk (click control-alt-delete, then lock your PC).
3. Select a unique password that only you know.
4. Get in the habit of shredding sensitive documents or putting them in your building's locked recycling bins.
5. Stay nearby when printing, copying or faxing sensitive documents.

Speak up if you learn about an actual or potential privacy or security incident.

- IS Help Desk (Staples) 508-253-8855; Quik 847-878-4357
- Chris Dunning — Director Enterprise Information Security (508-253-2286)
- Nan Stout — VP, Business Ethics/Privacy Officer (508-253-7960)

Staples Shield
for information protection

Shred it right
for information protection

Get all five questions right and win a chance at a MailMate™ shredder!

- 1) When handling sensitive information, it's safe to assume that it can be shared with anyone at Staples, unless you're told otherwise. True or False
- 2) You should only have access to the customer, associate and business information that you need to perform your job. True or False
- 3) If you suspect an actual or potential privacy or security incident, you must report it. True or False
- 4) It's safe to send credit card information or social security numbers to people outside the company by regular email. True or False
- 5) It's OK to share sensitive information with third parties as long as they say they'll keep it private. True or False

 Name: _____
Phone: _____

helping our customers protect their identity

Small-business owners account for many of our customers. We recognize that they are often playing many roles and working long hours. Given the stress of entrepreneurship, we strive to make life easier for these customers in particular. In 2006, we invested significant time and resources to help our customers safeguard their own information from identity theft.

“Identity theft can happen to anyone. There are many simple, cost-effective safeguards consumers can use to help prevent them from becoming a victim, such as investing in a personal shredder and protecting personal computers with antitheft locks and virus protection software. Together with Staples, my goal is to make more people aware of this issue and to develop new solutions that address this issue head on.”

– Frank W. Abagnale, author of *The One and Only You*.

An easy guide to protecting your identity

To help our customers avoid becoming victims of identity theft, we teamed with the nationally recognized security and fraud expert Frank W. Abagnale (if you saw the blockbuster movie *Catch Me If You Can*, you know Abagnale's life story). For more than 30 years Abagnale has worked with, advised and consulted with hundreds of financial institutes, corporations and government agencies around the world. As part of our multiyear alliance with Abagnale, we sponsored the Staples Shred Across America Tour, which brought easy self-protection solutions via mobile shredder events to 17 cities across the country.

This mobile shred tour included information and a demo area aimed at educating consumers about the importance of security solutions needed for identity protection — everything from shredders to virus protection software. Customers filled a total of 130 recycling bins, equaling 25,850 lb. of paper, with the shredded personal documents.

You can find our [U.S. privacy policy](#) on [staples.com®](#). Privacy policies for our operations in other countries are available on the Internet sites of our operations in those countries.

- **ethical sourcing**

Over the past several years, Staples® own-brand products have become a major focus of growth and differentiation for Staples. In fact, sales of Staples® brand products worldwide have grown from less than 11 percent of total sales in 2002 to 20 percent of total sales at the end of 2006. The manufacturing of Staples® brand products presents us with an opportunity to examine and improve our ethical-sourcing efforts. For this reason, Staples evaluates our suppliers on more than just price, quality, capacity and other financial and operational objectives. We seek to work with suppliers that operate in a manner that protects workers' human rights, workers' health and safety, and the environment.

First and foremost, suppliers providing us with Staples® brand products are required to comply with our Supplier Code of Conduct, available at www.staples.com/ethics. To ensure compliance with our Supplier Code, we engage independent third-party auditing firms to conduct factory audits.

We've conducted social accountability (SA) audits of factories supplying Staples® brand products since 2000. Our supplier responsibility program has evolved considerably since that time.

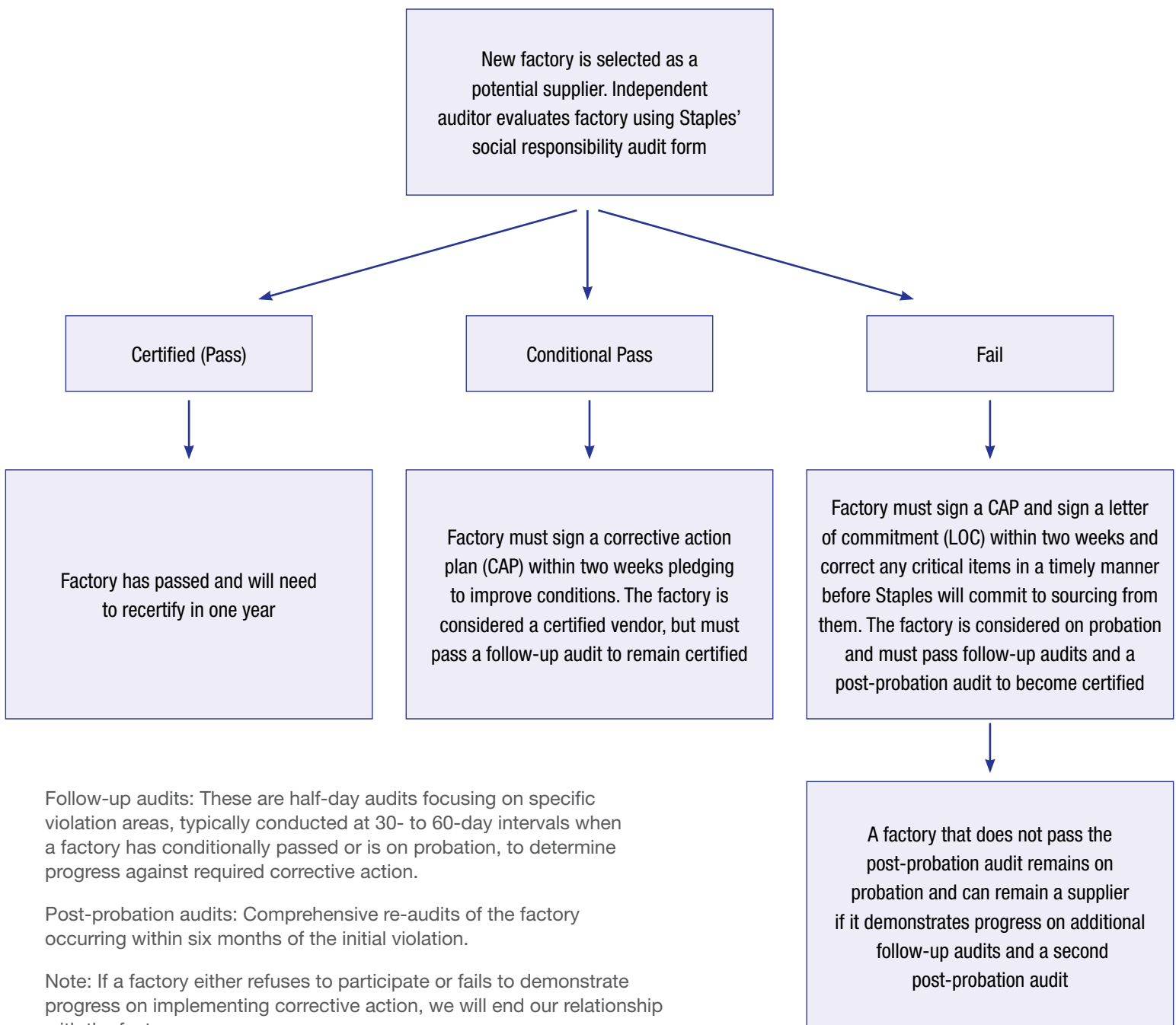
Evolution of Staples' supplier responsibility program

| | |
|-----------------|--|
| 2000 | Staples started conducting social accountability (SA) audits of a sampling of factories producing Staples® brand products. |
| 2002 | Staples began requiring SA audits for the majority of factories outside the U.S. that supply us with Staples® brand products. |
| 2004 | In 2004, we established our Supplier Code of Conduct after consulting accepted international frameworks for human rights, Social Accountability International's SA 8000 standard, and other corporate codes of conduct. That same year, Business for Social Responsibility (BSR) evaluated our supplier responsibility program and recommended improvements to our policies and procedures. |
| 2005 | Based on the feedback from BSR and information gathered from a benchmark of practices in the retail industry, we made additional improvements to the language in our Supplier Code of Conduct. Staples then developed a new SA audit program based on the SA 8000 standard and hired a new independent auditing firm to conduct these SA audits. This new SA audit program was launched in December 2005 in Southeast Asia and India, where the majority of our factories are based. |
| 2006 | Early in 2006, the SA audit program was expanded beyond Southeast Asia and India to include factories producing Staples® brand products globally. Factories now undergo a universal SA audit, along with an independent quality audit. Factories outside the U.S. also must pass a security audit. |
| 2007 and beyond | In the years to come, Staples will work to develop improved internal measurement and evaluation tools to better measure ethics program performance and to help drive improvements. |

factory monitoring and compliance

By the end of calendar year 2006, more than 340 factories in 17 countries supplied Staples with own-brand products. We also regularly commission new supplier partners to provide Staples® brand products. When doing so, we prescreen supplier factories to ensure that our requirements for cost, quality and capacity can be met. Once we select a potential supplier factory as a source, we schedule factory audits to ensure that the factory meets our requirements for quality, social accountability and security. We conduct short-notice, unannounced and scheduled audits of factories to help prevent factory management from hiding compliance failures.

The Social Accountability (SA) Audit and Corrective Action Process



In 2006, Staples expanded the SA audit program to cover all factories globally. Previously, Staples carried out an independent SA audit process for factories in Southeast Asia and India and used a shortened SA audit for factories in all other locations. As of 2006, all factories now undergo the same audit process.

All auditors performing Staples SA audits have been trained under the SA 8000 standard, one of the leading Social Accountability audit standards currently available. All factories must be recertified to meet our SA audit standards annually.

The new SA audit covers eight key areas, as outlined in the accompanying table, and includes more than 100 indicators, with designations of critical, major or minor. Examples of critical violations include evidence of child or forced labor, corporal punishment, discrimination, illegal environmental emissions, unsafe electrical installations or emergency exits, and restricting freedom of association. Major items include a variety of wage indicators and all working-hour indicators, as well as a variety of health and safety indicators.

Results from our auditing program are presented in the accompanying tables. As revealed in the tables, the implementation of our more stringent SA audits has resulted in many more factories requiring corrective action to obtain certification to Staples' standards and more factories requiring continued corrective action to address issues found during post-probation audits. We anticipate that once factories adjust to our new standards and obtain certification, we will see fewer factories requiring corrective action during the recertification process.

Overall, we continue to see the most critical and major violations as a percentage of factories audited in China, Vietnam, Indonesia, Thailand and Taiwan. The majority of violations tend to be in the following areas:

- Sufficient records and procedures to ensure working hours do not exceed required standards
- Ensuring compliance with appropriate wage and benefits laws, record-keeping and/or industry standards
- Overall facility health and safety, including proper safety equipment and procedures and meeting international standards for well-maintained facilities

Through continued auditing and corrective action requirements, we persist in helping to improve conditions in those factories supplying us with Staples® brand products. At the same time, industry cooperation and government enforcement are needed to ensure that adhering to accepted international standards for factory working conditions becomes the industry norm in developing countries.

categories covered in Staples' Social Accountability audits

1. Minimum age
2. Working hours
3. Wages and benefits
4. Health and safety, including:
 - First aid and medical services
 - Facilities
 - Food preparation and services
 - Fire safety and emergency evacuation
 - Environmental protection
 - Dormitories and housing
5. Freedom of association
6. Discrimination
7. Disciplinary practices
8. Forced labor

Due to the implementation of our new SA audit program and the development of a new system for collecting audit information for much of 2006, we were not able to report specific figures on critical and major violations by audit category in 2006. In future reporting cycles, we plan to report on critical and major violations by audit category.

Factory Social Accountability audit data (calendar year)*

| Indicators | 2006 | 2005 | 2004 |
|--|------------------|-------------|-------------|
| Number of initial, recertification and post-probation audits conducted | 335 | 241 | 184 |
| Number of factories audited for compliance with Staples' Supplier Code | 303 | 223 | 172 |
| Percentage of factories completing initial audits required to take corrective action to address violations of Staples' Supplier Code | 44% | 33% | 32% |
| Percentage of factories completing post-probation audits required to take corrective action to address violations of Staples' Supplier Code | 38% | 27% | 13% |
| Percentage of factories completing recertification audits required to take corrective action to address violations of Staples' Supplier Code | n/a [^] | 24% | 19% |

* Number of factories audited reflects factories undergoing initial, recertification and/or post-probation audits, and is less than the number of audits conducted because factories that fail initial or recertification audits undergo post-probation audits within six months and therefore can have multiple audits per calendar year. For 2005, factory audit data is only through the end of November.

[^] Due to the new SA audit program rollout in late 2005, a very limited number of recertification audits (conducted annually after a supplier is certified) have been conducted to date, so information has not been reported for this specific category.

2006 Social Accountability factory audit data by country*

| Country | Factories audited | Factories with one or more critical violations (%) |
|----------------|--------------------------|---|
| Canada | 13 | 0% |
| China | 200 | 56% |
| India | 3 | 0% |
| Indonesia | 3 | 100% |
| Korea | 2 | 0% |
| Malaysia | 1 | 0% |
| Singapore | 1 | 0% |
| Taiwan | 29 | 45% |
| Thailand | 2 | 100% |
| U.S. | 47 | 0% |
| Vietnam | 2 | 50% |
| Total | 303 | 43% |

* All percentages in the table reflect the percentage of audited factories in violation across any initial, recertification or post-probation audits.



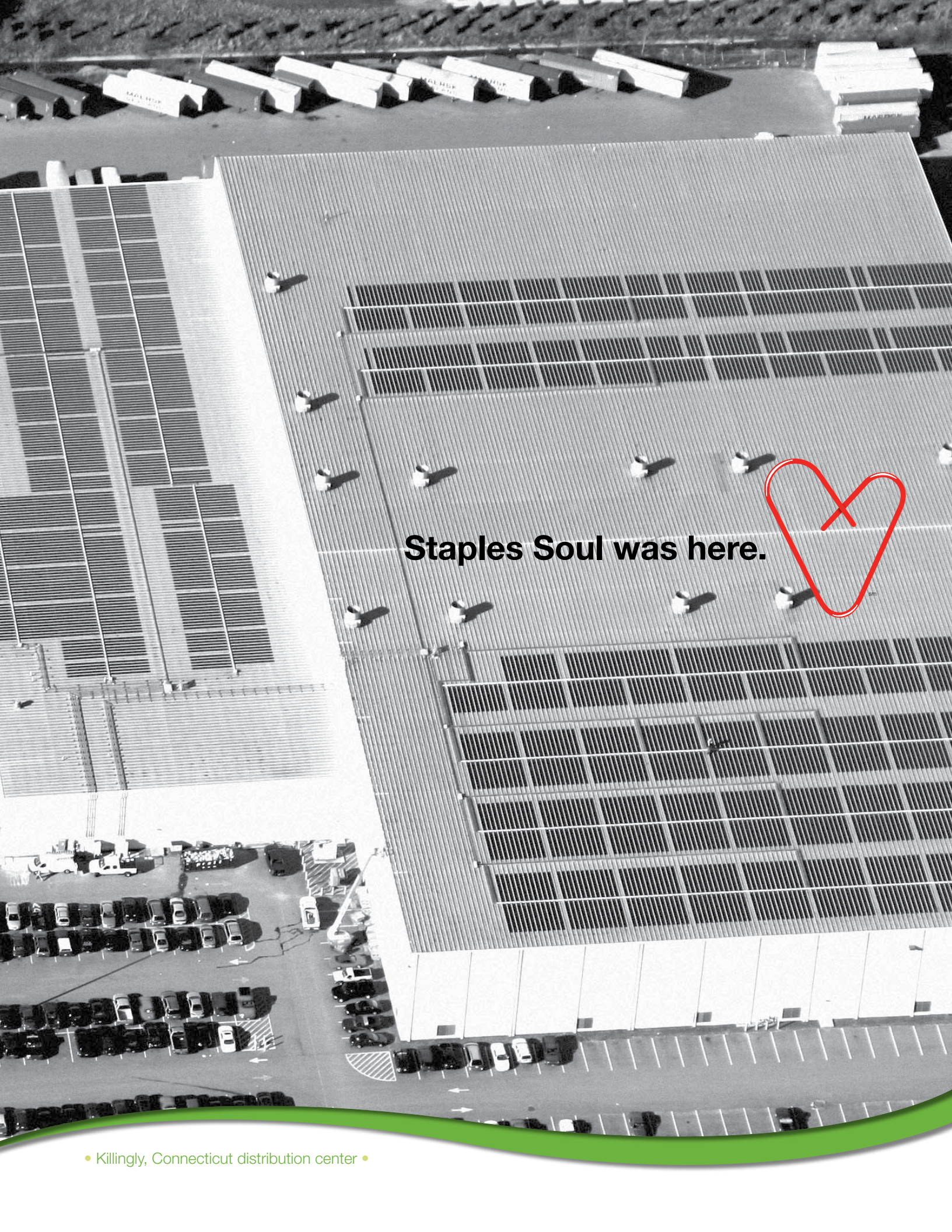
- **product responsibility:**
tested. inspected. guaranteed.

We develop Staples® brand products to meet high standards for quality and safety. Beyond our quality auditing and certification program for factories, we have three other programs for products sourced through the Staples® Brand Group designed to ensure high product quality and safety: our product testing program, our preshipment and ongoing inspection program, and our continuous quality-monitoring program. We also have an established product recall process for Staples® brand products and direct import products to ensure we can quickly recall any products that pose a health or safety concern.

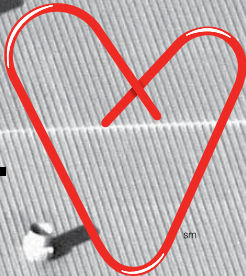


- **Testing** — all Staples® brand products are tested by independent third-party labs to ensure they are safe and will meet consumer expectations of quality. Our testing protocol involves measuring the leading national brand's performance across a variety of indicators and establishing this performance as the standard that Staples® brand products must meet or exceed. Staples® brand products that fail to meet the protocol standards must be improved and pass retesting before they can be approved for production. Beyond these requirements, we also test several other safety indicators. For example, we test own-brand items to ensure that the lead and cadmium content of all surface coatings and the cadmium content of all plastics meet national and/or international standards.
- **Inspection**— Staples® brand products go through a vigorous inspection process designed to identify and eliminate production problems prior to shipment. The process begins with a preproduction inspection performed by a member of the local Staples® Brand Group Quality Assurance team or a third-party firm. During the inspection, product specifications and raw materials are reviewed along with work instructions and packaging. A production inspection is performed during the first day of production, which entails a process audit and a detailed product inspection. Then in-process inspections are performed during the initial production runs. Finally, periodic ongoing random final inspections are performed by independent third-party inspectors. The frequency of these inspections is determined based on risk indicators (returns, defects and customer feedback).
- **Quality monitoring** — as part of our continuous quality-monitoring program, we have an independent lab retest Staples® brand products once or more annually. For example, ink and toner cartridges, paper, furniture and electrical products are tested at least twice a year to determine whether the product meets the same performance levels that it met when it was initially qualified for production. All samples are purchased at Staples® stores or through our delivery business. We work with our supplier factories to correct any deviations we discover on a case-by-case basis. If evidence of significant deviation from the initial quality standard is discovered, we may discontinue production of that product at that factory.
- **Product recalls** — Staples has a formal product recall policy that applies to Staples® brand and direct import products. This policy helps ensure that we rapidly and effectively remove from our sales channels any products that pose a safety concern to consumers, whether based on information received by Staples or in cooperation with the Consumer Products Safety Commission.

Even though we make painstaking efforts to ensure our customers are 100 percent satisfied with Staples® brand products, we then go a step further — providing customers with a guarantee that if they try a Staples® product and are not happy, we'll take it back, no questions asked.



Staples Soul was here.



environment

Staples Soul is helping support renewable energy and reduce greenhouse gas emissions by installing solar power systems on the roofs of our buildings.

In fact, Staples hosts the largest solar energy system in New England at our Killingly, Connecticut distribution center as of the end of 2006. The Killingly installation, a 433-kilowatt DC commercial solar photovoltaic system, is 1.5 times the size of a football field and covers nearly 74,000 square feet of roof space. This solar power system will have a measurable environmental impact and reduce annual carbon emissions equivalent to the amount produced by the average car driving 420,000 miles. Our Killingly solar power system is expected to produce enough energy to cleanly power 14 percent of the distribution center, or 36 homes each year.

Making it easy for customers to recycle ink and toner cartridges and collecting nearly 18 million cartridges in 2006. **Staples Soul was here.**

And here. Providing our customers with access to approximately 2,900 products containing recycled content.

And here. Doubling our purchases of green power to 121 million kilowatt-hours, or the amount of electricity used by about 10,700 average U.S. households.

And here. Improving the fuel economy of our fleet of trucks by an estimated 15 percent through adjustments to engine controls.

- **making it easy to make a difference**

We want to make it easy for our customers to make a difference for the environment through their purchases at Staples. We work to reduce the environmental impacts of our internal operations through waste reduction and recycling, energy conservation and renewable-energy procurement, among other efforts. To help us meet these goals, we focus our efforts on four major areas:

1. Environmentally preferable products
2. Recycling
3. Energy and climate
4. Environmental education

These environmental cornerstones were selected when our environmental department was first formally established in late 2002, because these areas are where we believe changes to our operations can have the greatest environmental benefits to the communities in which we operate. Moreover, these environmental commitments are enabling Staples to improve operational efficiency, better meet customer needs, address the risks posed by fluctuations in availability and pricing of finite raw materials, and create innovative new products and services to help us attract new customers.

Our Vice President of Environmental Affairs is responsible for our environmental programs in the U.S. and works closely with departments across the company including Merchandising, Real Estate, Marketing and Store Operations to help drive a variety of initiatives forward. Since the Environmental Affairs department has been in existence for less than five years, many programs and initiatives are still in development or evolving. Such initiatives include improving how environmentally preferable products are highlighted for customers, improving the environmental profile of product packaging, and establishing more formal roles and reporting systems internationally.

A major focus for Staples over the next few years will be the continued improvement of our environmental product and service offerings to make it easy for our customers to make a difference. We are also always looking to drive continuing improvements across our internal operations. Goals for the coming years include:

- Significantly increase our sales of environmentally preferable products and services as a percentage of total dollar sales
- Make it easier for customers to identify and locate environmentally preferable products through in-store signage and Web site and catalog changes over the next two years
- Collect and responsibly recycle more than 400,000 tons of technology products by 2008
- Start construction on more than 15 new rooftop solar projects in 2007 on our stores and distribution facilities with the help of the solar developer SunEdison. Install at least that many in 2008 and 2009 as well
- Leverage program successes in the U.S. across our international operations and improve communication and performance tracking over the next three years

• environmentally preferable products

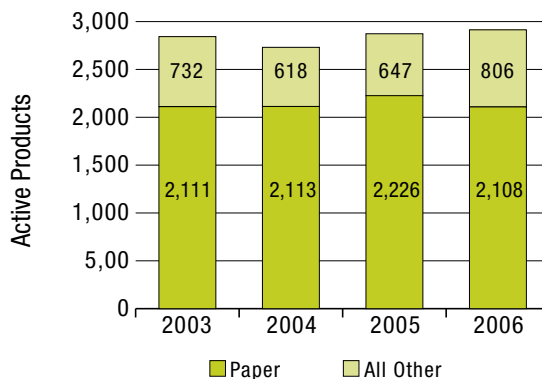
Many of our customers, from individual consumers and small businesses to Fortune 500 companies, seek to purchase environmentally preferable products (EPPs).

So we strive to make it easy for them to find quality office products that incorporate environmental benefits at a compelling price by continually expanding our selection of environmentally superior Staples® brand products and offering a wide array of EPPs from other vendors.

Staples offers a large number of EPPs including:

- more than 2,000 paper products that contain post-consumer recycled paper
- binders, ink cartridges and desk accessories that contain recycled plastic
- filing cabinets and other metal items containing post-consumer steel
- ENERGY STAR® qualified office technology products
- reduced-impact alternative products such as starch-based biodegradable packing peanuts and nontoxic markers

Active Products Containing Post-Consumer Recycled Content

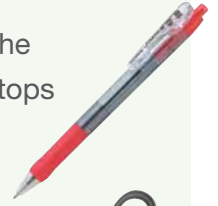


Across all sales channels in the U.S. and Canada

products that are easy on the environment

A sampling of the more than 2,900 eco-friendly products that Staples offers to our customers:

Zebra® Jimmie clip retractable ballpoint pen: Made from 75 percent recycled content, the body of these pens is made from recycled car headlights and compact discs; the plastic tops are from recycled cell phones; and the internal tubes are from plastic shopping bags and car battery encasements.



Acme® Kleenearth® recycled scissors: These stainless steel scissors contain ergonomic plastic handles with 70 percent post-consumer recycled plastic.



Staples® 100% recycled file folders and hanging files: Staples' environmentally friendly file folders and hanging file folders are made of 100 percent post-consumer content.

Cardinal® D-ring binder: Cardinal D-ring binders have 45 percent post-consumer recycled plastic content and hold up to 25 percent more than standard round-ring binders.



Staples® 100% recycled copy paper: One of our most eco-friendly products, this recycled paper is made from 100 percent post-consumer content and is process chlorine free. Not only is it tree friendly and bleached without chlorine or chlorine compounds, it meets or exceeds the Government Printing Office and EPA's standard for recycled paper.



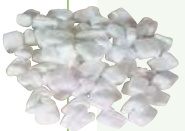
Ampad® Evidence® recycled wirebound notebooks: These notebooks contain 50 percent recycled content and 40 percent post-consumer content.

Rubbermaid Regeneration® desk accessories: The Regeneration collection offers a number of products to help organize your desk — all containing 25 percent post-consumer content. Choose from a variety of environmentally friendly desk sorters, files, caddies, trays and more.



Staples® remanufactured ink cartridges: Staples® brand remanufactured ink and toner cartridges are backed by Staples' quality guarantee, and an independent lab confirms that the page yield will remain within +/- 5 percent of the national brand.

PaperMate® EarthWrite® pencil: A No. 2 pencil that is environmentally friendly and manufactured from recycled newspapers. This pencil contains 40 percent post-consumer recycled content and is PMA certified nontoxic.



Staples® earth-friendly packing peanuts: Staples offers packing peanuts, made from cornstarch, that are biodegradable and nontoxic and will dissolve when placed in water.

Staples® 19" LCD monitor: ENERGY STAR® qualified with a 19" Active Matrix TFT display, 700:1 contrast ratio, built-in speakers and three USB ports, this monitor has a sharp, clear picture and is energy efficient.



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did you know?

Staples (and our customers) helped save more than 1.6 million trees in 2006 through the sale (purchase) of paper products containing post-consumer recycled content.

paper. a primary focus.

As a large buyer and seller of paper products, Staples is committed to reducing the significant impact that paper procurement and use have on ecosystems globally. While most of our efforts to date have focused on offering more paper products with post-consumer recycled content, we are also exploring additional opportunities to source fiber from certified sustainable forests and use other eco-friendly alternatives such as agricultural residues.

Considering the impacts, we can't ignore the need to reduce paper use and find environmentally friendly ways to make paper.

Why is paper a focal point of Staples' environmental efforts?

- Paper production requires harvesting millions of acres of farmed and naturally forested trees each year, impacting biodiversity and habitat quality as well as forest conservation and recreation opportunities
- Paper manufacturing is one of the most energy- and water-intensive industrial processes globally
- We sell a lot of paper products because companies use a lot of these products to run their businesses. In fact, the average office worker in the United States uses approximately 12,000 sheets of copy and printer paper annually

post-consumer content

In 2006, Staples sold more than 227,000 tons of paper products, from copy paper to notebooks and mail and ship supplies. A major goal of our Environmental Paper Procurement Policy was to increase to 30 percent the average amount of post-consumer recycled content in our paper products in the U.S. and Canada. In 2006, we met our goal, with average post-consumer recycled content across all paper products sold, both OEM and Staples® brand products, at 30 percent.

Using the [paper calculator](#) powered by the nonprofit organization Environmental Defense, we estimate that by selling post-consumer recycled paper versus paper with no recycled content, Staples and our customers saved:

- More than 1.6 million trees
- Energy equal to that used by more than 12,500 average homes in the U.S. annually
- 71,800 tons of greenhouse gases, equivalent to the emissions of more than 13,000 cars
- More than 596 million gallons of wastewater, equivalent to 900 swimming pools
- More than 38,311 tons of solid waste, equal to what would fill 2,700 garbage trucks

Learn more about [Staples' Environmental Paper Procurement Policy](#) at <http://www.staples.com/environment>. This policy drives many of our initiatives related to sourcing and offering paper products to our customers and was finalized in November 2002 with input from ForestEthics and Dogwood Alliance.



While in some cases we can offer recycled-content products at a similar price to products without recycled content — such as file folders, notebooks and other products — due to the higher costs and increasing demand for post-consumer fiber, copy and print paper and several other paper items with post-consumer content must often be priced at a premium. This reduces demand for recycled-paper products from customers who are less willing to pay a little more for an environmental benefit. Our merchants are always seeking to ensure that we provide all of our products, including EPPs, at competitive prices.

sustainable forestry

As part of our paper sourcing process, Staples evaluates the commitment of our paper suppliers to encouraging sustainable management of forests and protecting high-conservation-value forests.

To help us better evaluate paper suppliers and products, we have been a member of the Paper Working Group (PWG) since April 2003. The PWG is a group of 11 major companies committed to conserving forests and increasing the availability of environmentally preferable paper products. Organized and facilitated by the nonprofit organization Metafore, one of the PWG's major accomplishments to date has been the development of a comprehensive, Web-based environmental paper-assessment tool (EPAT).

The EPAT, which launched in 2006, allows large commercial paper purchasers to evaluate specific paper products offered by participating suppliers based on their environmental impact. Staples is working to integrate EPAT into our paper procurement process so that our buyers can make more informed decisions.

Our buyers have been seeking to increase our offering of paper items certified as originating from sustainably managed forests. Staples® Business Depot™, our Canadian division, offers seven paper products certified by The Forest Stewardship Council (FSC). Products boasting the FSC certification logo adhere to the highest environmental and social standards. The FSC system ensures the paper was not produced through illegal, unsustainable, unverified logging activities and endeavors to eliminate the habitat destruction, water pollution, displacement of indigenous peoples and violence against people and wildlife that can accompany logging. In 2007, we will be introducing paper products certified as sustainable and will announce our preference for products adhering to a specific forestry certification system.

keeping good company

We're proud to work with the following leading companies as part of the Paper Working Group to help conserve forests and make more environmentally friendly products available to our customers.

- Bank of America
- Cenvéo
- FedEx Kinko's
- Hewlett-Packard Company
- McDonald's Corporation
- Nike, Inc.
- Norm Thompson Outfitters
- Starbucks Coffee Company
- Time Inc.
- Toyota Motor Sales, U.S.A., Inc.

paper use at Staples

In addition to offering paper products with post-consumer recycled content, we continue to use paper internally that contains recycled content. In 2006, Staples used more than 200 tons of paper for our internal operations in corporate offices and produced and distributed more than 50,000 tons of catalogs, circulars, flyers and other paper-based marketing materials to our customers.

| Staples' internal paper use — United States | 2006 | 2005 | 2004 | 2003 |
|--|------|------|------|------|
| Average post-consumer recycled content in paper used in Staples' corporate offices | 30% | 30% | 29% | 28% |
| Average recycled content in Staples' catalogs, circulars and flyers* | 22% | 22% | 22% | 14% |

* Includes post-consumer content and de-inked pulp content (production scraps, excess over-issue magazines, etc.).

highlighting environmentally preferable products

The products we sell with post-consumer recycled content are marked with the chasing-arrow recycled symbol in our catalogs and on our Web sites so they can be more readily identified by our customers. Several of our catalogs include a specific directory for recycled-content products, and our Web sites offer options for sorting or searching for paper products containing post-consumer recycled content. For our contract customers, we offer specific tools enabling procurement managers to suggest or automatically substitute environmentally preferable products for products not on their approved list, thereby ensuring that their corporate goals for sourcing these types of office products are met.

There is certainly more that we could do to make it easier for customers to find recycled products and all other kinds of EPPs. We are currently working to improve how we highlight EPPs in store, in our catalogs and online for our customers, and plan to have several improvements in place starting in 2008.



catalog pages



• recycling

We make it easy for customers to recycle a variety of products at Staples, including ink and toner cartridges and electronic waste (eWaste), such as cell phones, rechargeable batteries, computers and peripherals. We also have programs for associates to recycle these items internally as well as many other common recyclables such as paper, cardboard and other materials.

ink and toner recycling

We provide incentives for our customers to recycle ink and toner through programs such as [Recycle for Education](#) and our in-store ink recycling program. We also ensure that our customers never run out of ink with our [InkDropsm](#) program. In 2006, Staples collected approximately 17.8 million ink and toner cartridges for recycling. The significant jump in collections from 2005 to 2006 was helped by the increased rebates we provided to customers for in-store returns (from a \$1 to a \$3 coupon).

| Ink and toner cartridge recycling — United States | 2006 | 2005 |
|--|--------------|-------------|
| Total number of ink and toner cartridges recycled | 17.8 million | 5 million |

Recycle for Education

[Recycle for Education](#) gives customers an easy way to recycle used cartridges and raise money for participating schools. Here's how it works:

- Staples provides a free starter kit to schools, which includes collection bins and a flyer that can be posted around school or sent home to parents
- Postage is completely free, so once collection bins are full, the cartridges can be sent back for recycling. Replacement collection bins are sent off at no cost to the school
- Staples sends \$3 to participating schools for each eligible ink or laser toner cartridge. In 2006, Recycle for Education raised \$750,000 for participating schools

what we do with the cartridges we receive

Rather than discarding or recycling a cartridge after only one use, our ink and toner recycling program seeks to “close the loop” by replacing worn cartridge parts and refilling cartridges with ink for sale as remanufactured products. This remanufacturing process prevents valuable materials and components that are still useful from going to landfill before their time. Cartridge parts that are replaced during the remanufacturing phase and all cartridges that cannot be remanufactured are recycled.

InkDropsm

For ultimate recycling ease, Staples created the InkDrop program. Participating customers initially purchase two ink cartridges. When their first ink cartridge runs out, they replace it with their remaining full cartridge and then mail us the empty one using a prepaid InkDrop envelope or mailing label. When we receive the empty, we automatically send them a new replacement cartridge and we recycle the old cartridge.

“The Staples InkDrop program incorporates elements that are important to a lot of shoppers...free delivery, convenient, green.”

– **Andrea Learned**, Staples InkDrop customer

contract ink and toner recycling

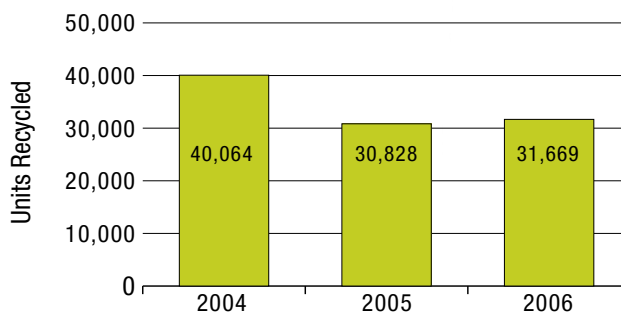
We offer an ink and toner recycling program for our contract customers that enables customers to order collection boxes and return any cartridges free of charge. We started piloting a new enhanced program at the end of 2006 that, when launched nationally, should make it easier for our mid-size and large business customers to recycle ink and toner.

eWaste

Computers, monitors, printers, mobile phones, PDAs — what do most people do when these items no longer work or when they've upgraded to a newer and better model? Believe it or not, research indicates that most people just stash them in closets, basements or attics, not knowing how to properly dispose of them.

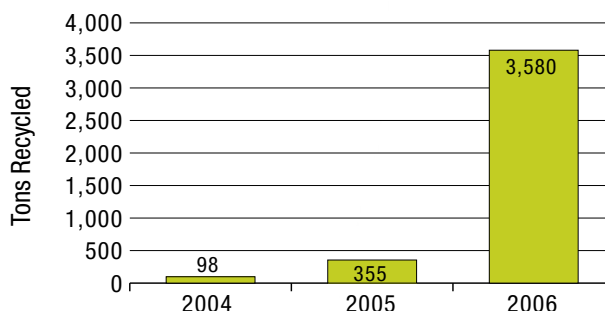
Since 2003, Staples has offered a safe and easy way for customers to recycle their cell phones and PDAs for free. We work with the nonprofit organization Collective Good to help run this program. Customers and associates can drop these items off in designated collection bins, which we then send back to Collective Good for recycling. Collective Good either refurbishes the phones and PDAs to sell them to people in developing countries at an affordable price, or safely recycles the items. Part of the revenue from the resale of the phones is donated to charity, with the funds currently going to the Sierra Club. In 2006, we recycled more than 31,600 cell phones, PDAs and pagers.

U.S. Cell Phone, PDA and Pager Recycling



Staples has been an [EPA Plug-in to eCycling](#) program partner since 2004, when we piloted a large regional electronics recycling program in New England. Since then, we have sponsored numerous other collection events in Ohio, Montana, Massachusetts, Washington and elsewhere. In late 2005 we started working with the Take it Back Network to collect computers and peripherals in the Seattle market, helping make it easy for customers to meet local requirements to recycle electronic waste. By the end of 2006, we had collected more than 3,000 tons of products from the Seattle area. When factoring in various other computer recycling events that Staples held around the country, we collected a total of 3,580 tons of computer equipment last year.

U.S. Computer and Peripheral Recycling



In 2006 we took the lessons learned from Seattle and started researching and developing a plan for a possible national recycling program offering at retail. In May of 2007, we launched a national technology recycling program in our retail stores across the U.S. Customers can now responsibly and safely recycle their computers, monitors and peripherals for a small fee at their local Staples® store. Our goal is to recycle more than 400,000 tons of equipment in 2008 through this program. For more information, please visit www.staples.com/environment.

did you know?

- It is estimated that more than 130 million cell phones and roughly 100 million computers will become obsolete each year in the United States.
- Since 2003 Staples has recycled 7.3 tons of rechargeable batteries through the Rechargeable Battery Recycling Corporation (RBRC) via our free in-store collections.

internal waste and recycling

In 2006, our retail stores, distribution centers and Home Office generated a little more than 24,000 tons of solid waste, an increase of roughly 4 percent from 2005 due to our continued growth as an organization. Our internal recycling initiatives have helped us reduce our waste stream significantly. For example, the amount of cardboard we recycled in 2006 was greater by weight than our solid waste generation.

Our U.S. corporate office buildings, retail stores and distribution facilities all make a concerted effort to recycle and reuse. One of our most successful programs is the recycling of cardboard by our U.S. retail stores and distribution centers. In 2006, we were able to increase our collections of both cardboard and mixed paper by moving to one recycling service provider nationally. We anticipate that our collections will continue to improve in future years, especially our collections of mixed paper from our retail stores.

| Internal recycling — U.S. (tons) | 2006 | 2005 | 2004 |
|---|-------------|-------------|-------------|
| Corrugated cardboard | 26,120 | 20,715 | 21,140 |
| Mixed paper | 460 | 203 | 357 |
| Plastic shrink wrap | 199 | 219 | n/a |

an associate idea. a process change. a lot of paper saved.

Often at Staples the best and most cost-efficient ideas come from our associates. And that's how we came to change our planogram (store layout) printing process in 2006.

Previously, when a section of a store was reset, stores printed out all of the instructions and maps related to the entire store layout. They then sorted through it to figure out what needed to change and discarded the rest. Now, an improved process ensures that store associates print only what they need to execute the changes. This simple change is making a powerful impact on the environment, helping reduce costs and making it easier for our associates to implement changes.

Savings of the new planogram printing process

| | |
|---|---|
| Estimated cases of paper saved annually | More than 520 cases, equal to 2.6 million sheets of paper |
| Estimated reduction in printed output | 57% from previous process |

- energy and climate

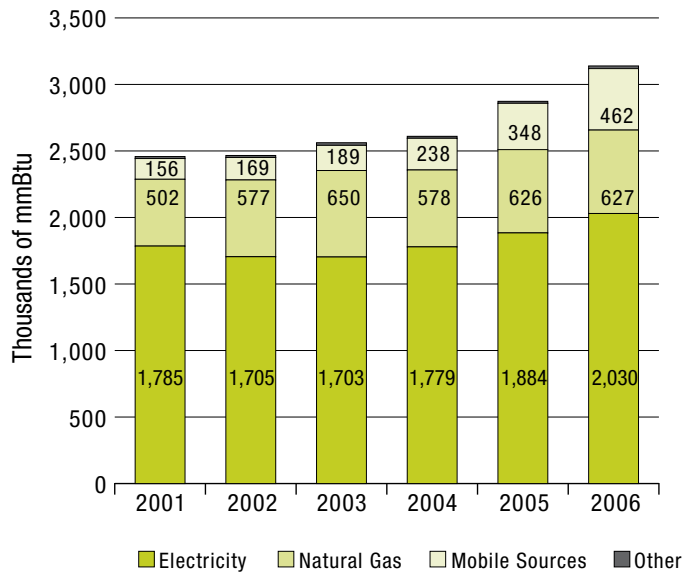
Staples takes an integrated approach to energy management and reducing our impacts on climate change, including aggressive energy conservation, the adoption of renewable-energy technologies where financially viable, and the purchase of certified renewable-energy certificates.

Our total energy use across all operations in the U.S., including our use of electricity, natural gas, propane and fleet fuel, increased by almost 28 percent from 2001 to 2006 due to the growth of our business and the addition of hundreds of retail and nonretail properties. Most of the increase was a result of a 13 percent increase in our electricity use and a large 196 percent increase in our fleet fuel usage over that time due to major growth in our delivery operations. However, through aggressive energy conservation efforts, we have continued to improve our energy efficiency.

what is a renewable-energy certificate (REC)?

Renewable-energy certificates (RECs) represent the environmental benefits of producing one megawatt-hour of renewable electricity. Generators of renewable energy rely on the additional revenue from sales of RECs to help pay for the cost of their projects. Due to their structure, RECs enable anyone in the country to “green” a portion of their electricity, regardless of their location, and thereby help support continued renewable-energy development. Members of the [U.S. EPA Green Power Program](#), such as Staples, are leaders in purchasing RECs. Staples RECs are certified by [Green-e](#) to be from new facilities and retired upon their purchase.

Total Energy Use — U.S.

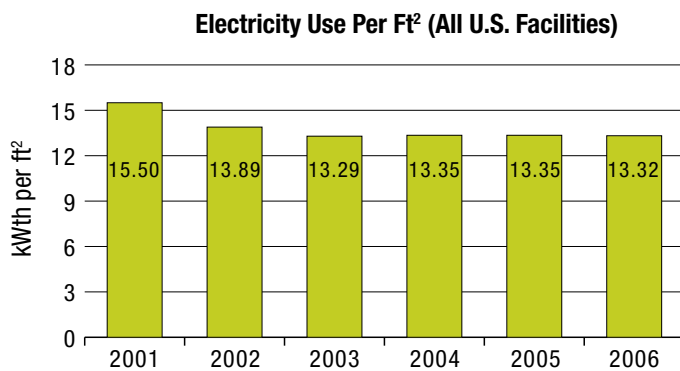


Fiscal year data for U.S. operations, including measured and estimated use. Other energy is primarily the use of propane, but also includes steam and the use of diesel in backup generators. Mobile sources include energy used by Staples' delivery fleet and estimated corporate jet use.
 1 mmBtu = 0.2931 MWh, 1 mmBtu = 1.055 gigajoules (GJ).

energy conservation

Staples aggressively pursues ways to conserve energy throughout our U.S. and international operations. Energy conservation not only helps us reduce our impact on the environment, it is smart business because it helps reduce our operating costs.

Through a variety of electricity conservation efforts in our stores and distribution centers, Staples has reduced our electricity use per square foot by 14 percent since 2001, despite significant increases in energy-intensive copy and print machinery. While natural gas usage has increased by 25 percent since 2001 in total, our use per square foot decreased by 5.5 percent.



ways we save energy

In 2006 we undertook a number of projects to conserve energy and better spend our energy dollars. For example, in three of our fulfillment center facilities, we replaced older lighting fixtures with energy-efficient T5 fluorescent fixtures and installed motion sensors in the facilities to turn off lights in aisles that were dormant. By retrofitting the lighting in these facilities, we're seeing a 44 percent savings in energy with a payback of less than a year.

“The new lighting is not only saving energy dollars but is also improving our associates’ ability to read pick tickets and labels, which help us achieve our accuracy and quality goals. This in turn will positively impact productivity.”

– Wendell Butler, General Manager, Killingly, CT

In addition to retrofitting existing locations, Staples sets high standards for new buildings and stores to ensure that they are energy efficient. In our negotiations with real estate and landlord partners, we aim for total control over energy management, including submetering our stores and other locations. This submetering permits us to understand and measure our energy consumption more easily and take steps to manage our own utility bills instead of having them remain hidden within our lease maintenance charges. With better visibility and control, we're better able to manage our operating costs and negotiate with utility companies. These controls result in energy and cost savings.

strategic energy planning

Staples gathers, tracks, analyzes and shares information twice a year at Strategic Energy Planning meetings. These reviews take a comprehensive look at a variety of indicators including:

- Corporate strategic energy planning goals
- Monthly and quarterly energy data reporting and benchmarking
- Utilities management and utility billing/tracking program
- Energy management systems
- Demand side management programs
- Continuing energy education throughout the organization
- Renewable energy developments

saving more than 500,000 gallons of diesel

Mike Payette, Fleet Manager at Staples, is committed to improving fuel economy and reducing harmful emissions within our transportation fleet. In the fall of 2006, Mike and his team modified the engine electronic control modules on the delivery trucks in our fleet to limit the maximum driving speed to 60 mph, which has increased our fleet's fuel economy, decreased greenhouse gas emissions and reduced maintenance costs. Based on initial testing, Staples expects to realize the following improvements in fuel economy:

- An increase from approximately 8.5 to 11 mpg for trucks delivering supplies
- An increase from approximately 8 to 10.5 mpg for trucks delivering furniture
- An overall improvement to fuel economy of 15 percent or more, which translates to an estimated fuel savings of more than 500,000 gallons of diesel annually

soft-start conveyors save energy

In 2006 Staples installed a soft-start conveyor in our Hagerstown, MD facility. This application reduces energy consumption by electronically sizing the motor to optimum efficiency. Essentially, the motor shifts evenly without spikes in speed or temperature. The new conveyor system has reduced overall energy use by 45 percent and decreased the motor temperature by 11 degrees Fahrenheit. We are also seeing operational savings due to a decline in heat vibrations and noise. Staples is pursuing installation of these conveyors in our other distribution facilities.

Soft-start conveyor savings

| kWh saved | Energy savings | Operation savings | Total savings |
|-----------|----------------|-------------------|---------------|
| 631,356 | \$66,325 | \$10,570 | \$76,895 |

renewable energy

By pursuing renewable energy investments, Staples is helping drive innovation in new clean energy technologies, helping prevent or offset our greenhouse gas emissions, and helping hedge against increases in fuel prices that will affect our operating costs. One of our biggest accomplishments in this area in 2006 was installing six new rooftop solar power systems collectively capable of producing more than 1.77 million kWh each year, or the amount of electricity equivalent to powering more than 150 homes. As of the end of 2006, we had a total of nine rooftop solar power systems installed.

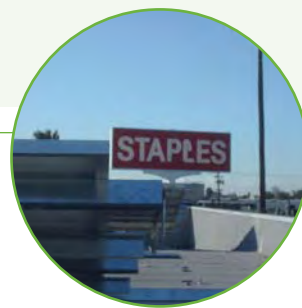
Through our relationship with the solar developer SunEdison, we have avoided making significant capital investments to actually purchase these solar power systems. Instead, Staples serves as a host of all of our solar power systems, and we enter into long-term fixed-price power purchase agreements to buy the electricity generated by the systems at a cost that is equal to or below our current cost of electricity.

Doubling our purchase of renewable energy ranks as another of our proudest achievements of 2006. To date, we've greened 20 percent of our electricity, or more than 121 megawatt-hours of power, through certified renewable energy certificates and green power purchases from utility programs. That equals the amount of electricity used by more than 10,700 U.S. households annually.

2006 solar installations

| Site | Capacity (kW DC) | System size (ft ²) | Expected annual output (kWh) |
|-----------------------------------|------------------|--------------------------------|------------------------------|
| Aliso Viejo, CA store | 86 | 6,350 | 120,000 |
| Killingly, CT distribution center | 433 | 74,028 | 605,000 |
| La Mirada, CA store | 78 | 6,696 | 108,000 |
| Ontario, CA store | 84 | 5,928 | 117,000 |
| Stockton, CA fulfillment center | 517 | 40,470 | 722,000 |
| Yorba Linda, CA store | 75 | 4,992 | 104,000 |
| Total | 1,273 | 138,464 | 1,776,000 |

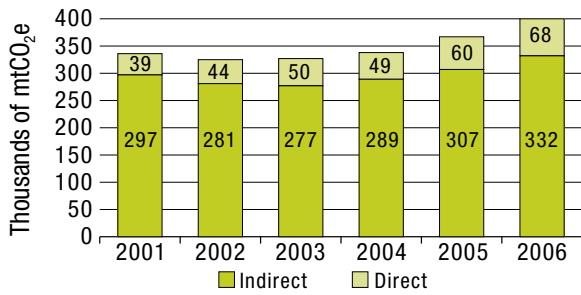
Operational or in final construction phase as of FY 2006 end in the United States.



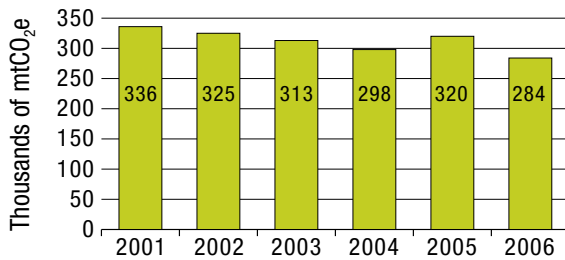
did you know?

As of the end of 2006, Staples ranked 12th on the Environmental Protection Agency's Top 20 Green Power Partners list and 3rd out of the Top 10 Retail Green Power Partners based on our green power purchases.

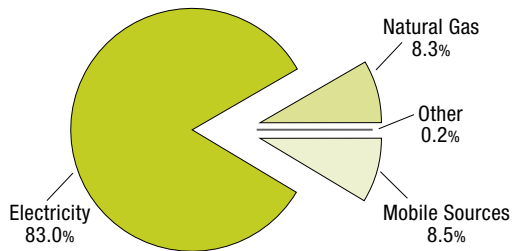
Total U.S. Greenhouse Gas Emissions Not Including Offsets



U.S. Greenhouse Gas Emissions Net of Offsets



2006 Contribution of Energy Source to Greenhouse Gas Emissions — U.S.



greenhouse gas emissions

Staples has committed to reduce our greenhouse gas emissions by 7 percent on an absolute basis from 2001 to 2010. We are working on this goal as a partner in the U.S. Environmental Protection Agency's Climate Leaders program. We're happy to say that through energy conservation, the purchase of certified RECs and the installation of on-site renewable-energy technologies, we have reduced our emissions by more than 15 percent from fiscal year 2001 to 2006, despite the fact that our total energy use increased by nearly 28 percent over this same time period.

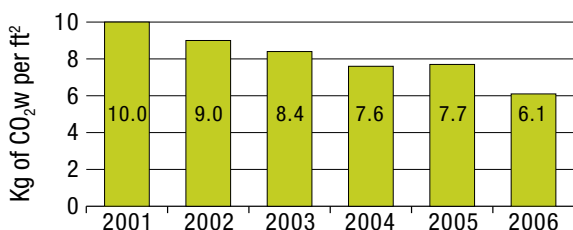
energy programs in Canada

This past year, our Canadian operations embraced the Canadian government's challenge to reduce greenhouse gases by one metric tonne per resident. As a first step in the process, Staples® Business Depot™ began improvements on its energy use in retail stores across Canada by:

- Retrofitting more than 200 stores with the Novar Energy Management System, centralizing control of heating, cooling and lighting systems
- Retrofitting exterior lighting for 50 stores that will reduce our electricity spend by approximately \$65,000 CAD and will save approximately \$90,000 CAD per year in exterior maintenance and repair
- Reducing electricity used in 2006 by 10,724,821 kilowatt-hours and natural gas by 214,499 cubic meters
- Purchasing 2 percent green power for our operations in British Columbia

The results? The team reduced greenhouse gases by more than 1,700 metric tonnes.

U.S. Net GHG Emissions Per Ft²



“The icing on the cake is that our customers and associates really support our participation. Last summer we reduced in-store light levels during the day, and while that could have been received negatively, it was the opposite. Customers and associates were thrilled to walk into our stores and know we’re doing our part. We’ll be retrofitting another 21 stores with the Novar system in British Columbia later this year.”

– Leigh Pearson, Staples® Business Depot™ Facilities Manager

• environmental education

We have undertaken a number of environmental education initiatives to make our customers and associates more aware of the importance of sustaining the environment.

- We help sponsor the resource tool [Earth 911 Business](#) to provide helpful environmental resources, tools and information to businesses nationally, with a focus on waste reduction, recycling and purchasing environmentally preferable products
- [Staples Foundation for Learning](#)® has partnered with the nonprofit organization [Earth Force](#) to help provide environmental education curriculum and program materials for teachers and students in several communities in the U.S.
- In 2006, Staples was a national sponsor of [America Recycles Day](#) for the fifth consecutive year, helping to raise awareness of how Americans can protect natural resources through recycling and buying recycled-content products
- To keep our stakeholders up to date on our environmental progress, we provide relevant information to our associates, customers and other stakeholders in several ways, including our Web site, marketing materials, annual reporting and other communications



Staples Soul was here.



community

Staples Soul is helping educate Argentineans about dengue fever and how to prevent serious epidemics. This informational campaign was developed through our partnership with Ashoka Youth Venture. The program's creators, the Formosa, Argentina Ashoka Youth team, come from a province where 70 percent of the population lives in poverty and dengue outbreaks, a mosquito-borne disease with no available vaccine, occur frequently. To help stop the spread of dengue fever, the team hosts informal educational lectures, hands out brochures and gives street performances to teach the population preventive measures against the virus. So far, the group's most successful means of instructing the public has been through facilitating workshops, in 15 schools, on practical measures that inhibit mosquitoes from reproducing. This Staples Soul-supported project has been so successful that a group of young people from Nanawa, Paraguay have replicated the idea and plan to launch their own educational campaign.

Introducing children to the magic of books and instilling a lifelong love of reading. **Staples Soul was here.**

And here. Improving the business, academic and life skills of inner-city youth.

And here. Challenging youth to create long-term solutions to local environmental problems.

And here. Providing free access to vital school supplies for teachers.

And here. Creating jobs when we open new stores and distribution and fulfillment centers.

- **getting involved. giving back.
making a difference.**

Throughout the year, across the U.S., and now around the world, Staples strives to make a positive impact in the communities where our associates live and work through the creation of new jobs, financial giving, product donations, and the engagement of our associates through volunteer time.

We have seen that community involvement and giving enriches our brand. And we are continually working to make it a more intrinsic part of Staples Soul as we believe a strong connection with the communities in which we operate will help drive the future success of our company by:

- Engendering greater customer loyalty
- Fostering future small-business owners for the community and customers for Staples by ensuring local youth are educated and trained
- Attracting and retaining a highly talented workforce

Our community involvement starts the very day we enter a new market. Staples creates approximately 30 new jobs for each new store that we open. In 2006 we opened 99 new stores, hiring nearly 3,000 associates. In addition to creating employment opportunities, for every new store that we open, we craft a comprehensive community involvement plan for new markets by meeting with local Chambers of Commerce, as well as community and business leaders, to understand the community's concerns. More importantly, we listen closely to how we can help. We ask these leaders to recommend nonprofit causes that are most essential to the store's neighborhood. Then we connect that organization with our local store management and make a donation at a store event. Essentially, the organizations we support in new markets are chosen by the community itself.

makers • Hosting job training
 some high-school students •
 to vital school supplies • Provid
 environment • Creating new
 community • Giving teacher
 supplies • Staples So
 when we move into a
 around the wor
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Left: Boys & Girls Clubs of America members receive Staples supply donation

Right: Keyshawn Johnson, Michael Porter and Kwame Kilpatrick Honor IGIC and inner-city business

Our total contributions in 2006 totaled nearly \$13 million, an increase of approximately \$3.7 million over the previous year. Just as important, we touched more communities than ever before, supporting hundreds of organizations across the U.S. What's more, Staples began to make a global impact with its community giving with the launch of our partnership with Ashoka's Youth Venture Programs in select European and South American countries where we operate.

Over the past several years we have made strides toward our goals of greater community assimilation, but we recognize that we have much more work to do. Over the next several years we hope to expand our community giving and associate involvement in key markets throughout the countries where Staples operates.

| Staples' charitable contributions | 2006 | 2005 | 2004 |
|--|--------------|-------------|-------------|
| Total charitable contributions (not including disaster relief) | \$12,877,000 | \$9,168,822 | \$9,677,797 |
| Staples Foundation for Learning® | \$3,000,000 | \$2,000,000 | \$2,000,000 |
| In-kind donations | \$7,039,000 | \$4,198,161 | \$4,918,346 |
| Cash donations | \$2,838,000 | \$2,970,661 | \$2,759,451 |
| Organizations supported by Staples Foundation for Learning | 209 | 121 | 107 |

Total charitable contributions figures do not include \$908,010 in cash and product donations for disaster relief provided to victims of Gulf Coast hurricanes in 2005 and \$134,026 provided for various disaster relief efforts in 2004.

- the cornerstone of our giving — Staples Foundation for Learning®

Staples Foundation for Learning (SFFL) anchors our charitable giving and philanthropic work. In 2006, the Foundation launched two new partnerships, one to expand our impact globally, and the other to enhance our relationships with Hispanic American communities.

All U.S. organizations that we fund undergo a rigorous evaluation to ensure their goals support SFFL's mission. We assess applicants on the following criteria:

1. How the organization fits in with our mission
2. The program's quality
3. The group's community ties
4. How sound is its budget/focus

Global organizations must meet even more robust guidelines. They are reviewed on the benchmarks above as well as others, including whether they have a presence in countries where Staples operates, the kind of impact that a SFFL grant will have, the organization's reputation and track record, how the group ties into Staples' business, and whether there is an opportunity for associate involvement.

Questions regarding the Foundation can be emailed to foundationinfo@staples.com.

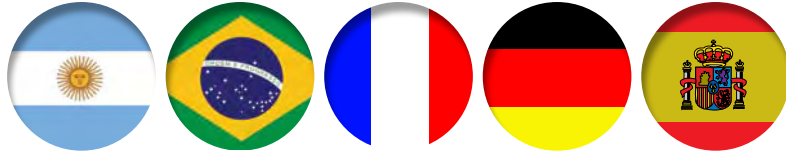
did you know?

Since its inception in 2002, Staples Foundation for Learning has awarded a total of \$9,000,000 in grants to national and local charities that serve hundreds of communities throughout the U.S.



the history of Staples Foundation for Learning

Established in 2002, Staples Foundation for Learning (SFFL) provides funding to programs that support or provide job skills and/or education for all people, with a special emphasis on youth. We crafted the Foundation's mission based on research that shows our customers cite education as the top way they would like Staples to give back to the community. Education also came out as the top cause about which our customers were most passionate. In addition, many of our core customers are small-business owners and teachers for whom job skills and educational opportunities are key causes.



going global

Until recently, Staples Foundation for Learning® focused its money and resources domestically. As Staples' business expands internationally, so too does the reach of our Foundation. With thorough consideration, SFFL chose the Ashoka Youth Venture program as our first global partner. The Ashoka Youth Venture mission fits perfectly with that of our Foundation, as both are deeply committed to the development of youth and the spirit of entrepreneurship.

As a company that proudly employs a diverse group of self-starters and dreamers, Staples chose Ashoka Youth Venture because the program reflects these very same ideals. Ashoka Youth Venture is developing the next generation of change makers and future leaders. The program has two primary benefits for communities where Staples operates:

- It provides the means and guidance to youth undertaking entrepreneurial endeavors
- These entrepreneurial projects create positive change within the community, ultimately making it a better place for business owners and Staples to operate

The 2006 grant of \$500,000 brought the Ashoka Youth Venture program to five countries where it had never existed before — Argentina, Brazil, France, Germany and Spain. Last year, 10 Staples® associates formed teams and launched youth ventures in Argentina and Brazil. Their ventures addressed issues ranging from connecting the elderly with young orphans through theater to helping poor artisans export their products. Due to the success of the partnership, we are making a second \$500,000 grant to Ashoka Youth Venture for the continued expansion of the program in these five countries as well as entrance into two new countries, Canada and Belgium.

“This exciting and growing partnership highlights the power of entrepreneurship. Together, Staples Foundation for Learning and [Ashoka] Youth Venture are showing how powerful organizations and societies are built and run by change makers. Staples and its peers were founded on innovative ideas by entrepreneurs, and they grow and prosper because they find the talented people who take initiative and create positive change — change makers. [Ashoka] Youth Venture, with the support of Staples Foundation for Learning, aims to inspire all young people around the world to become change makers and thus dramatically increase our ability as a global society to solve problems and thrive.”

– **Bill Drayton**, Founder and CEO of Ashoka



protecting the environment and local neighborhoods

Torch Club members in Edinburg, Texas participated in the Funding Factory Recycling Program. Through this program, Torch Club members collect empty laser and inkjet cartridges and used cell phones from the community and exchange them for technology and recreation products, sometimes even cash. To date, the Club has collected more than 100 phones and 100 cartridges. "Torch Club members are very proud of this project," says Sabrina Walker, the Club's chief professional officer. "Most importantly, their awareness about the importance of recycling has grown."



rolling out the red carpet for the Hispanic Heritage Foundation

Our foundation also established a \$100,000 partnership with the [Hispanic Heritage Foundation](#). Staples Foundation for Learning® specifically supports the Hispanic Heritage Foundation Youth Awards, which identify and promote the next generation of Hispanic role models in Dallas, Houston, San Antonio, San Diego, Los Angeles, San Jose/San Francisco Bay Area, Phoenix, Chicago, Miami, New York, Philadelphia/New Jersey and Washington, DC. Award winners and other youth then participate in the Latinos on Fast Track (LOFT) program, which SFFL also supports. LOFT develops productive and sustainable relationships between Hispanic young professionals and America's workforce through professional development, mentoring, paid internships and full-time job placement. In 2007 we will build upon our new alliance with the Hispanic Heritage Foundation by continuing to recognize the accomplishments of Hispanic youth, teachers and business leaders.

still the one

Since the beginning, Boys & Girls Clubs of America (BGCA) with its national presence and focus on education and youth platform directly support SFFL's mission. Additionally, approximately 85 percent of BGCA clubs are located within 10 miles of our retail and business locations — providing a tangible connection for our associates and customers.

In 2006 we renewed our support of BGCA with a new \$3 million, 3-year grant in support of the Torch Club programs. Torch Clubs provide leadership development to children ages 11 to 13. With more than 1,000 clubs around the country, Torch Club members elect officers and implement community service projects. To date, we have contributed more than \$6.6 million to Boys & Girls Clubs of America in monetary and product donations. In the coming years we plan to continue our successful partnership with Boys & Girls Clubs of America, increasing the impact of Torch Clubs on adolescent youth around the U.S.

celebrating the best businesses from inner cities

Staples Foundation for Learning® continued its partnership with Initiative for a Competitive Inner City (ICIC) in 2006. Our support helped ICIC increase the number of nominations received for the Inner City 100 list. Last year ICIC received 101 new nominations and broadened its applicant pool from inner-city markets where ICIC traditionally received low numbers of applicants, including Atlanta, South Florida and Chicago. ICIC was also able to improve its research capabilities by streamlining information gathered through the application process and gaining greater insight into the inner-city business landscape and best practices needed for company success. Finally, we presented the Staples Minority Business of the Year Award to the top minority business on the Inner City 100 list. In 2006, Commodity Sourcing Group (CSG), located in Detroit, Michigan, received the award. Over the next several years Staples hopes to promote the power of America's inner cities as a resource for success in business development, employment and wealth by continuing our partnership with ICIC.

teaching how to teach about the environment

In conjunction with our many environmental efforts, Staples Foundation for Learning has supported Earth Force for the past several years. In 2006 our grant enabled Earth Force to engage more than 150 teachers and 7,500 young people primarily in Philadelphia, Charleston, Chicago, Tampa/St. Petersburg and Washington, DC. Development of a program in Miami is also under way. SFFL also supported the Environmental Citizenship Institute, which brought Earth Force teachers together to share best practices on how to deliver the environmental education curriculum to students and empower them to become active agents for environmental policy and practice changes. In the future, Staples plans to increase funding of Earth Force's programs in Denver as well as to ensure that its environmental education programs are an integral part of classrooms in cities around the U.S., in which SFFL supports the group's work.



big. small. and everything in between. Staples makes a positive impact.

In 2006, Staples Foundation for Learning® proudly contributed to 209 charitable organizations with donations that ranged from \$1,000 to \$1 million each, making a grand total of \$3 million. The support of SFFL helped these organizations accomplish the following:

National Foundation for Teaching Entrepreneurship brought its program to the Joseph P. Keefe Technical High School in Framingham, MA and taught students entrepreneurial skills to help them start small businesses.

The Center for Summer Learning organized National Summer Learning Day in Baltimore, MD with a variety of local events to celebrate literacy and education.

Boys & Girls Clubs of MetroWest, MA provided educational programs, including Technology for All, a program that teaches members advanced technology skills to increase their academic and career opportunities.

Jobs for Youth Chicago provided job training programs to low-income high-school students throughout Chicago to help them develop the skills and experience needed to successfully transition to the working world.

Crayons to Computers implemented, ran and promoted Push for Pencils, its annual back to school drive that provides free school supplies to teachers in low-income schools. Staples stores throughout Cincinnati collected \$13,400 in cash to help support the program.

Teens in Public Service enabled teenagers to develop their work experience, leadership style and teamwork skills by participating in paid internships with nonprofit organizations throughout Seattle.

National Latino Children's Initiative provided Latino families in Newark, Los Angeles and Chicago with age-appropriate materials and culturally relevant activities to help build their young children's vocabulary, love of reading and interest in learning.

Denver Public Schools Educational Foundation served low-income students by providing a safe learning environment where they spent their after-school hours receiving tutoring and mentoring.

Learn more about the organizations supported by Staples Foundation for Learning in 2006 by visiting the [Staples Foundation for Learning Web site](#).

● cause marketing

did you know?

Staples donates proceeds of our brand icon, the Staples® Easy Button®, to Boys & Girls Clubs of America. So far, we've contributed \$2 million — including \$1 million alone in 2006.

In 2006 Staples continued its successful programs to make it easy and cost effective for our customers to give back to their communities. Take a look at two of our most popular programs:

Supplies for School Kids encourages Staples' customers to help disadvantaged youth during the back to school season by directly purchasing supplies or donating cash. Cash donations are used to buy basic school supplies for members of local Boys & Girls Clubs of America. In 2006 we contributed more than \$355,000 in supplies, gift cards and cash donations, for a grand total of \$2.5 million since launching the program in 2003.

Our Recycle for Education program raised \$750,000 for schools across the U.S. in 2006. This program encourages teachers, parents and students to collect and send to Staples empty ink and toner cartridges. Staples provides collection boxes, recommendations on how to conduct a successful recycling campaign and free shipping for the returned cartridges. For every cartridge we recycle, a participating school earns \$3. In 2006 we expanded the Recycle for Education program, which historically was only available to schools, to include Boys & Girls Clubs of America.

● in-kind donations

Staples offers a variety of in-kind giving programs that empower our stores, fulfillment centers and distribution centers to donate gift cards and product to local charities of their choosing. All told, our stores' in-kind giving in 2006 totaled \$6,556,000. Our retail distribution centers and delivery fulfillment centers contributed another \$128,000 in product donations.

free school supply stores

One of the key organizations we support through in-kind donations and SFFL grants is the SHOPA Kids in Need Foundation. The organization provides disadvantaged youth with much-needed school supplies. Schools with at least 70 percent of students on Federal Free or Reduced Lunch programs are eligible to send teachers to Kids in Need Resources Centers, which are free school supply stores. Here, teachers can get supplies for their classrooms and provide students with materials their families cannot afford. This program enables teachers to spend less of their own money and provide their classrooms with the most up-to-date educational tools. Resource Centers are located in more than 21 cities, including many cities where Staples operates such as New York, Atlanta, Cincinnati, Chicago and Los Angeles.

● international efforts

In 2006, in addition to supporting 137 local causes, Staples UK selected its first national charity, [ChildLine](#). ChildLine is a free hotline that children and teenagers in the UK can call to discuss any kind of problem. Staples UK chose ChildLine because it is a 20-year-old established organization that has a high level of awareness with a national presence and is not supported by a competing retailer. Like most of our U.S. alliances, ChildLine's focus is on youth. During the inaugural year, Staples UK ran a variety of test programs including:

- Building a paper chain in all stores, distribution centers and the Home Office. Each link cost £1; when all the links were connected, the entire paper chain stretched for more than 2.2 miles
- Sponsoring a balloon, face painting and competition in four stores

In all, the UK raised £46,500 (approximately \$92,000) for ChildLine in the first year of its partnership.

“I would like to say how absolutely delighted we are with the Staples Christmas Paper Chain raising over £45,000. This is a fantastic achievement and we know that this success is due to the hard work and enthusiasm of so many people in Staples stores and offices all over the UK...This money will make a huge difference to children. It will enable us to recruit and train 29 additional volunteer counselors.”

– Emilia Carmen, ChildLine

give a dollar. share a dream.

Staples® Business Depot™ in Canada has enjoyed being a national sponsor of [Special Olympics Canada](#) for more than 10 years. For the last several years, Staples Business Depot has invited customers to make donations in all of its 276 locations across Canada during its annual fund-raising campaign: Give a Dollar. Share a Dream. In 2006, this campaign raised \$525,000. In addition, \$150,000 of in-kind and corporate donations were received, plus an extra \$15,000 to celebrate Staples Business Depot's 15th anniversary, resulting in a grand total of \$690,000 CAD in 2006.

• how our associates get involved

Our associates are the very core of Staples Soul. In 2006, many associates from our various business units lent their time to support national and local organizations in their communities. Here are a few examples of what they accomplished:

The Home Office eCommerce Sales and Implementation team sponsored a winter donation drive in Leominster, MA, collecting approximately \$20,000 worth of winter clothes, school supplies, technology items and Staples® gift cards.

Our Pinellas Park, St. Petersburg, Clearwater and Citrus Park Florida stores supported Suncoast Earth Force by providing the group with in-kind printing and inviting students to showcase their Earth Force projects in store.

Approximately 20 of our North American Delivery associates participated in a WCVB/Channel 5 Local Extreme Makeover for Project Hope, a shelter in Dorchester, MA. Associates spent three days painting, cleaning and moving furniture for families.

Hundreds of Home Office associates participated in events such as our annual holiday toy drive; Daffodil Days to raise money for the American Cancer Society; and our annual Founder's Day Book Drive.

In the coming years we intend to identify and communicate volunteer opportunities to our associates around the world as we believe funding is only one piece of our giving solution.

“Thank you for enabling us to grow and believing in our mission to reach and inspire at risk children.”

– Kristen B., Park City, UT

“We are proud to count you in our efforts to save lives and bring hope to urban teens.”

– Stanley P., Boston, MA

“Because of the support of concerned community members like you, we provided intensive volunteer advocacy for 323 children in foster care last year.”

– Tracy C., Cincinnati, OH



Staples Soul was here.



diversity

Staples Soul is helping Beth Williams grow her business, Roxbury Technology Corporation (RTC). A 100 percent owned and certified African American woman-owned company, RTC remanufactures ink and toner cartridges that Staples sells directly to our customers. RTC credits much of its success to its relationship with Staples. According to RTC, though the company began in 1994, it really took off in 1998 when Beth's father and then owner, Archie Williams, met Staples founder Tom Stemberg. Tom embraced Archie's vision for RTC, which helped the company grow by more than 800 percent and positioned it to begin manufacturing in spring 2003. Staples is proud to have supported Beth and her father along the way, helping make their dream part of our Soul.

“Through Staples’ support and commitment, we went from three employees to 35, reaching \$11.5 million in sales last year.”

– **Beth Williams**, CEO, Roxbury Technology Corporation

iversity suppliers
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Promoting a diversity of people, experiences and thought. **Staples Soul was here.**

And here. Creating an atmosphere of inclusion, learning and growth.

And here. Encouraging us to reflect the face of our customers in every market across the U.S. and around the world.

And here. Helping minority- and women-owned companies grow their business.

- **woven into the fabric of our company**

Staples recognizes that diversity has many meanings, so we endeavor to embrace it in many ways. We believe a diversity of people, experiences and thought will ultimately make Staples a more successful company by:

- Enabling us to respond to a very dynamic marketplace
- Empowering us to better service and empathize with our customers
- Providing access to diversity suppliers to offer our customers the greatest breadth of products
- Attracting and retaining a highly talented workforce that will help Staples grow smartly
- Transforming Staples from a U.S. company that operates internationally to a truly global entity

Many of our diversity initiatives are run out of our Human Resources department and are overseen by our Vice President of Associate Relations and Global Diversity. However, commitment to diversity is everyone's responsibility. Here are the indicators we look at to measure our success.

- **Informing** —do all Staples® associates understand our diversity philosophy, strategy, objectives and initiatives?
- **Educating** —is diversity embedded in training initiatives, communication vehicles, recruiting and on-boarding?
- **Performing**— are systems in place to ensure placement, promotion and retention of our diverse and talented team; to measure internal and external successes; and to attract and retain customers, especially in diverse markets?
- **Modeling** — is diversity an integral part of our company operations?
- **Leading** —is Staples a diversity champion and recognized as an employer of choice?

We have made significant strides in the areas of informing, educating and performing, and continue to work on modeling and leading.

What do associates think about diversity at Staples? We are making progress and associates are recognizing that Staples has a climate that creates opportunities, is inclusive and values all.

| Staples associate survey | 2006 | 2004 |
|---|-------------|-------------|
| This company is committed to providing equal opportunities for all associates. | 74% | 71% |
| This company has an inclusive climate in which diverse perspectives are valued. | 77% | 71% |

Survey conducted every 24 months.

Creating a genuinely diverse company and culture takes many years and requires strategic planning. 2006 was a year of development — spending time and money putting in place processes, policies and resources to help us become a more diverse company.

2006 diversity awards and recognition

- Named one of the “400 Best Big Companies” by *Forbes* magazine for the seventh year in a row
- Listed as one of *Fortune’s* “Most Admired Companies” for the last three years in a row
- Ranked #42 on DiversityBusiness.com’s 2006 “America’s Top 50 Corporations for Multicultural Business Opportunities” list, up from Honorable Mention in 2004 and 2005
- Received PNC MWDBE (Minority Women and Disadvantaged Business Enterprise) Strategic Partnership Award
- Awarded the New York Life Silver Star Prime Award for Supplier Diversity (2005, 2006)

• top talent. associate diversity.

Recruiting and retaining top talent is an important goal for Staples. In 2006 we made notable progress in expanding the diversity of our associate pool. For example, the number of minority associates working at Staples has increased by 2 percentage points; the number of women in senior management is up by 3 percentage points while the number of minorities in senior leadership positions increased by 1 percentage point. The total number of women working at Staples held steady at 45 percent of the associate pool (see chart). In early 2007 we launched a newly branded external [jobs](#) Web site, which we believe will assist in the recruiting of top-quality diverse talent over the next several years. This Web site reflects Staples' Easy Brand image.

| Diversity indicators | 2006 | 2005 |
|--------------------------------|------|------|
| Female employees (%) | 45% | 45% |
| Minority employees (%) | 34% | 32% |
| Female senior management (%) | 31% | 28% |
| Minority senior management (%) | 8% | 7% |

the new faces of Staples

Staples employs a variety of tools and works with many organizations to identify and hire top talent. Our reputation as a company that appreciates and welcomes diversity makes this task much easier and successful. Some of the recruiting agencies we use include:

- [INROADS](#) — Staples has worked with INROADS since 2002. Staples recruiters help INROADS interns prepare for the job market by holding résumé writing seminars and staging mock interview sessions. In 2006 we hired four INROADS participants into our internship program. Two of those interns have since joined Staples full time
- [Bottom Line](#) — Staples began working with Bottom Line in 2006. Staples Human Resources professionals provide interview training, social skills mentoring and job search preparation to students in the Bottom Line program

We also partner with the following top professional organizations by participating in workshops, providing scholarships to members and recruiting top talent:

- [Association of Latino Professionals in Finance and Accounting \(ALPFA\)](#)
- [The National Black MBA Association \(NBMBA\)](#)
- [National Society of Hispanic MBAs \(NSHMBA\)](#)
- [National Association of Black Accountants \(NABA\)](#)

It is through our work with these organizations that we have gained traction in our diversity recruiting efforts, particularly within college recruiting, which resulted in 32 percent diverse new hires for 2006. Our 2006 intern program also enjoyed increased diversity with 16 percent minority and 32 percent female interns.

here are some of the associates that Staples has hired or promoted during 2006.

Kerry Anne Carter, Vice President, Business-to-Business eCommerce

“There’s a lot of talk about “on-ramps” and “off-ramps” for professional women — especially mothers. There is a trend of more women MBAs leaving the workforce to raise their families and then having a tough time getting back in. I left Staples in 1999 upon the birth of my twin boys. I was at home for a year and a half when Staples called me and asked me to do some part-time consulting, which I did for four years. It was great because it was flexible, which was important as a mother with young children. Then, in the fall of 2006, Staples called me and asked me to come back and work in my current role. The time was right because my kids were about to enter school full time. I was welcomed back with open arms. I’m happy I came back. It’s working out for me and my family just great.”



Ann Halford, Vice President, Retail IS Merchandising Systems

“In the past three years with Staples IS I have had the opportunity to lead Enterprise Architecture, Retail Systems and Merchandising Systems. There are few companies that could offer such a challenging, diverse and enriching management experience. It is exciting to work with a proven team of world-class retail executives.”



Marci Grebstein, Vice President, Contract Marketing

“When I started my career at Staples, I never anticipated being here 11 years. I have been professionally challenged and engaged in the business due to the ability to work on new assignments and projects that are not based on job title but rather on the skill sets I have developed. Managing a career and two children can be challenging but Staples has enabled me to do both. Most recently I moved from the Staples retail business to our business-to-business delivery division. It is great to know that even after 11 years, there are exciting career opportunities within the company.”



Joseph Dixon, Director, Global IT Service Delivery

“I was enticed to move 3,600 miles to work at Staples, due to the terrific opportunities the company offered. I was struck by the impressive diversity statistics Staples had posted in the company’s annual report. Most recently I spent 15 years on the west coast in Silicon Valley and have many years of electronics systems experience in large companies including General Motors, Digital, Wang Laboratories and Cadence. Staples is definitely the place to be.”



Czarina Yee, Product Development Manager

“I am excited to work for a company that can constantly present me with challenges and opportunities. Staples has provided me an incredible opportunity to participate in the Management Certificate Program. Through this 9-month program, I was able to improve my management and leadership skills and learn a lot from the company leaders through the knowledge and experience they shared. Staples not only provides a wonderful working environment that understands the needs of employees, but also develops associates to achieve their career goals.”





- **one brand. one world. one mission.**

Staples currently operates in 22 countries around the world. Despite our international presence, we are still working on becoming a global company — not just a U.S. company with international holdings. To further this goal, we introduced the International Management Trainee Program (IMTP) in 2006. This cutting-edge program brought seven associates from around the world to the Home Office for 12 weeks of intensive training and an energetic exchange of best practices and innovation. The program's second session started in 2007 with 13 associates participating. We believe this program will develop future Staples leaders, who will help our company compete globally. In the coming years, we intend to expand IMTP to all countries where Staples operates.

“We aim to be the world’s best office products company. Not the best office products company in the U.S.; not the best in Europe; the best in the world. This requires us to become a truly international corporation and to develop exceptional leaders in every geography around the globe.”

– Ron Sargent, Chairman and CEO

Associates chosen for the IMTP program have the opportunity to work on projects at the Home Office, gaining first-hand knowledge through a hands-on approach. Participants also receive in-depth training and learn about key functional areas such as retail, merchandising and finance. Some of the benefits for participants include:

- Returning to their present job ready for the next step in their careers
- Learning directly from, and reporting to, directors and vice presidents
- Broadening their network and gaining a better understanding of Staples' overall dynamics
- Increasing skills and knowledge in management practices
- Completing a project to implement in their home countries

a day in the life of Billy Zhang

Billy Zhang, a Customer Service Manager from Staples China, lived and worked in Framingham, MA for three months as part of the IMTP.

What's IMTP like?

"It's a combination of theory and practical experience. We get insights into the business from many department leaders, but we also get to work in the 'real world' and gain experience."

What's been your biggest challenge?

"The language. I learned English in China, but after my first day in America, I realized I had a lot more to learn."

What's the most exciting part of IMTP?

"In China, when I first read about the returns policy, for example, some of it didn't make sense. I didn't understand how the American business could accept returns the way you do and still be successful. But after being here, seeing the way customers behave, and learning about the policy's long-term benefits, I really understand it now."

accomplishments of the inaugural International Management Trainee Program class include:

1. A new picking system for warehouses in China
2. A promotion plan and customer service policy for our China stores
3. A research model, marketing plan and operations training program for China Copy & Print Centers
4. A preferred customer account management business plan in Argentina
5. A pricing-tools project for merchandising in Argentina

• training and development for all

At all levels of our organization we believe that company-supported accessible training will help all of our associates — Home Office, store, full time and part time — to reach their full potential. Through Staples University, we offer more than 200 classes to our associates to expand their business skills and open their minds to new ideas.

Total associate training hours in 2006

| Home Office | U.S Retail | North American Delivery |
|-------------|------------|-------------------------|
| 14,313 | 458,050 | 24,803 |

Some of our most exciting courses include:

- Improving business performance — this workshop helps identify external and internal customers and understand and identify opportunities to improve customer satisfaction and work processes
- Lateral thinking — this seminar teaches associates how to attack problems with more robust thinking to get better ideas, spark creativity on demand, find alternative solutions, turn problems into opportunities and make innovation happen
- Leadership challenge — based on *The Leadership Challenge*, a best-selling leadership book, this program explores the topic of leadership within the context of today's business challenges. Participants learn the five key practices of impactful leaders, assess their own leadership skills, and identify specific actions to increase their effectiveness as leaders
- The Management Certificate Program (MCP) — this 9-month program focuses on developing high-performing future leaders of Staples. MCP provides participants with the foundation of what good management is at Staples and enables skill building of critical leadership practices

We offer training internally and encourage development externally. For those associates who would like to take advantage of external educational opportunities we offer an annual scholarship program. In 2006, more than 2,300 associates received between \$750 and \$2,000 each to be applied to a course, intended to improve current job performance, or to a degree program. Unlike many retailers, Staples offers this opportunity to all associates — part time as well as full time, requiring only that classes be taken at accredited universities, colleges or technical schools. In 2006 Staples invested a total of \$1.4 million in our associate scholarship program and has already accepted numerous applications for 2007 scholarships.

Staples Soul Award

Staples Soul, like so much of our business, depends wholly on our associates and their desire to make a difference. So in 2006, we bestowed our first Staples Soul Award, given to an associate who demonstrates aspects of Soul in work and life. This year we honored Arnaud Creus, a manager in our European catalog business, for his efforts to provide training and jobs to people with disabilities. Arnaud is an example of what we think is the most rewarding aspect of Staples Soul — the enthusiasm with which our associates have embraced our promise to make the world a better place.

Winner: Arnaud Creus, Bernard Logistics Manager, France

Arnaud played a significant role in hiring and training people with disabilities or with limited education. In partnership with his associate team and Human Resources, Arnaud provided short-term contracts for young people to gain warehouse operation skills or work toward their vocational studies diploma. He worked with a specialized temporary agency to hire and train people with disabilities, even arranging for a school dedicated to disability education to provide instruction in a specific task within the supply chain process: the repackaging of sensitive goods. In addition, Arnaud and his wife dedicate one week and several weekends a year to welcoming young, underprivileged children into their home.



- **associate satisfaction**

We understand that training and development can serve as a powerful retention tool. Each year we strive to improve our offering and accessibility to training programs. Then every 24 months, we invite feedback from associates through an online survey. We're pleased that associate satisfaction with training and development increased in 2006.

| Associate satisfaction survey questions | Associates who agree | |
|---|-----------------------------|-------------|
| | 2006 | 2004 |
| I have the training I need to do my job effectively. | 78% | 77% |
| I have access to the resources I need to do my job effectively. | 75% | 73% |
| This company provides me with opportunities to learn and develop. | 75% | 70% |

Survey conducted every 24 months.

South Carolina, here we come

In 2006, Staples made the strategic decision to consolidate several financial support functions that support our U.S. retail and North American Delivery businesses. After much consideration, we chose Columbia, SC as the site for our new facility. Columbia fits into our long-term diversity initiatives because the southern part of the U.S. is known for its superior customer-service skills and will give us greater access to a broad pool of candidates. We believe the associates we hire for this facility will continue to expand the diversity of thought at Staples.

South Florida entry

As we enter a new market, we actively recruit associates who will reflect the face of our customers. In 2006 we entered the South Florida market and diligently worked to hire Spanish-speaking associates to serve our customers best. We worked with Workforce Florida in the local communities, where we opened stores and advertised both hourly and management jobs in both English- and Spanish-language newspapers, in addition to Web-based job search sites.

Staples created banners and signs printed in both English and Spanish to ensure our future associates and customers knew we wanted to be a part of the community and would make the effort to communicate appropriately.

did you know?

Approximately 63 percent of our South Florida new hires are ethnically diverse including African American, Hispanic, Asian and American Indian.

• supplier diversity

One of the ways we best serve our customers is by offering access to products and services from our diversity suppliers. We put in place several key initiatives in 2006, one of which was the rebranding of our Diversity One™ and Diversity Two™ supplier programs.

Our Diversity One program makes it easy for customers to buy directly from highly respected MWBE office products suppliers. These are independently owned, operated and certified MWBE office product distributors with whom we have created strategic alliances to effectively meet our customers' MWBE procurement needs. Customers can place orders directly with Diversity One suppliers through our Staples eDiversity Network, and suppliers take full responsibility for managing these orders.

While some supplier diversity programs involve the MWBE supplier in name only, Staples' Diversity One program enables MWBE suppliers to provide real services directly to customers. Staples provides ongoing mentoring and support to help our Diversity One suppliers build capacity within their business to serve the needs of large, national accounts. Senior executives across Staples meet with suppliers to provide insight on a range of topics, including sales, strategy, supply chain and IT. The goal is to better enable our Diversity One suppliers to meet our mutual customers' needs, while helping them grow their businesses and create jobs in their communities.

In 2006 we expanded our Diversity One supplier base to five independently owned and operated MWBEs.

- [Alpha Office Supplies Inc.](#), Philadelphia, PA
- [Midway Office Supply, Inc.](#), Albuquerque, NM
- [Proftech](#), LLC, Elmsford, NY
- [Summus Industries, Inc.](#), Sugar Land, TX
- [Tejas Office Products, Inc.](#), Houston, TX

We are pleased that working with Staples has been beneficial for these companies. Over the past five years, our Diversity One suppliers have collectively accomplished the following:

- 5 to 25 percent annual sales growth
- Consistent annual increased profitability
- More than 20 jobs created
- Increased capital and market share in local communities
- System upgrades



Our Diversity Two program allows customers to select from a wide range of products that are manufactured by MWBE vendors or physically challenged organizations. To date we offer more than 800 MWBE products in 49 categories, which can be purchased through the Staples Contract Catalog or Web site, StaplesLink.com®. Our Diversity Two program represents more than \$80 million worth of minority spend for our customers and enables our MWBE vendors to broaden the reach of their products nationwide.

To strengthen our diversity supplier program, in 2006 we appointed a full-time resource to enhance the online capabilities of our eDiversity network. We also created the Corporate Minority Business Development Team (CMBDT), consisting of VPs, managers and buyers from key corporate business units that assist in the development of processes that assure diversity suppliers a fair process to do business with Staples. The team's responsibility ranges from identifying diversity supplier vendor management systems to organizing events that recognize and reward associates and suppliers for their outstanding support of Staples' diversity efforts.

Additionally, Staples is an active participant in the diversity business community. In 2006 we attended and supported more than 25 supplier diversity events. We are also pleased that Tara Spann, Director of Diversity Initiatives, was appointed to the Board of Directors of the Chicago Minority Business Development Council (CMBDC).

Even so, our Diversity Supplier Program is one area where we see great possibility and a number of growth opportunities for the coming years. In 2007 and beyond, we plan to:

- Invest in and build on our relationships with minority- and women-owned vendors and suppliers as well as become a preferred vendor to minority- and women-owned businesses
- Attend at least 20 of the nation's most popular and well-respected diversity opportunity fairs to seek out qualified MWBE suppliers and manufacturers
- Improve how we identify the hundreds of products we sell that are sourced from diverse businesses
- Institute a corporate diversity supplier spend management system to improve diversity supplier registration and diversity spend reporting. Once instituted:
 - Coordinate with buyers to establish diversity purchasing goals and incentives
 - Track and report diversity purchases
- Create a vital documentation to better support our Diversity Supplier Program, including, but not limited to, a project charter, white paper, process flow and corporate policy statement

Our Chairman and CEO, Ron Sargent, and Executive Vice President of Merchandising and Supply Chain, Dave Perron, both pledged their support to expand our varied supplier base in statements of commitment in 2006.

Ron's diversity commitment letter

At Staples, diversity is a core business practice. Staples Soul is our commitment to social responsibility and it calls upon all of our associates to embrace diversity as a foundation of the company's values-based culture.

Diversity at Staples is a reflection of the equality and fairness we expect from our associates and from the organizations with which they interact throughout the world.

Our commitment goes beyond race and gender to include a diversity of thought and experiences across our organization. It also extends to our support and mentorship of minority- and women-owned enterprises through strategic business alliances as we believe our suppliers should also reflect the face of our customers.

Staples insists that all of its suppliers, business partners and participants in the Staples supply chain conduct business ethically and responsibly — including a commitment by their organizations to employ diverse workforces.

We will continuously encourage and increase diversity throughout the Staples community so that wherever, and however, we make it easy to buy office products, customers will experience inclusive behaviors and actions.



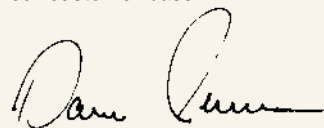
Ron Sargent
Chairman and CEO

Dave's diversity commitment letter

Staples recognizes the importance of developing strategic and value-added alliances with Minority- and Women-owned Business Enterprises (MWBE). Through our Diversity Supplier Program, Staples seeks to make it easy for its customers to connect with a diverse supplier base to efficiently and effectively meet their procurement demands and diversity objectives.

Staples Diversity One and Diversity Two solutions underscore our deep commitment to forging relationships with MWBE suppliers and vendors. These solutions allow our customers to buy supplies and services directly from highly respected MWBE office supply providers through our eDiversity network and purchase products manufactured by more than 80 MWBE vendors that Staples supports and promotes.

We are proud to support and mentor our MWBE suppliers to help them grow and extend their products across our customer base.



Dave Perron
Executive Vice President of Merchandising and Supply Chain

