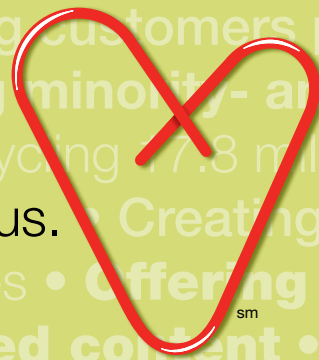


post-consumer recycled content • Fighting the spread of dengue fever
Introducing children to the magic of books • Creating an atmosphere of
inclusion, learning and growth • Helping minority- and women-owned
companies grow their business • Recycling 17.8 million ink and toner
cartridges • **Staples Soul was here** • Introducing children to the
magic of books • Creating an atmosphere of inclusion, learning and
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toner cartridges • **Staples Soul.** It's what moves us. • Creating a culture of
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and growth • Creating a culture of integrity • Helping customers protect
their identities • Helping minority- and women-owned companies grow
their business • Recycling 17.8 million ink and toner cartridges • **Staples**





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

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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

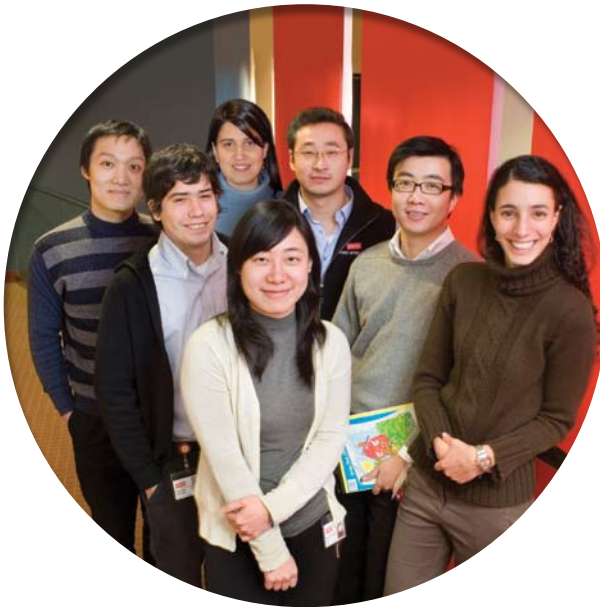
“I was enticed to move 3,600 miles to work at Staples, due to the terrific opportunities the company offered. I was struck by the impressive diversity statistics Staples had posted in the company’s annual report. Most recently I spent 15 years on the west coast in Silicon Valley and have many years of 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.



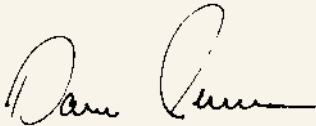
Ron Sargent
Chairman and CEO

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

