

diversity and the workplace



Staples employed nearly 69,000 diverse and talented associates in 2005, all of whom have helped make Staples the seventh largest specialty retailer in the United States and the ninth largest in the world, as reported by *Fortune* magazine. Staples offers a diverse and inclusive work environment where all associates are encouraged to learn, grow and reach their potential. We want our associates to be highly satisfied, and we demonstrate that commitment through programs and opportunities designed to make Staples a great place to work.



The dedication and hard work of our associates has allowed Staples to be named by *Forbes* magazine as one of the “400 Best Big Companies” for the seventh year in a row. Staples is also proud to have been listed as one of *Fortune's* “Most Admired Companies” for the last three years in a row.

Staples’ customers represent a wide array of cultures and ethnic backgrounds, genders and lifestyles. We look for that same diversity when recruiting our associates, because it makes them uniquely qualified to build a positive rapport with our customers and local communities. Staples also seeks to build relationships with suppliers and vendors who mirror the diversity of our customers.

diversity

Reflecting the face of our customers means reflecting the values of the local community as well. For example, when Staples entered the Chicago market in 2005, we quickly learned that the market was extraordinarily community focused. As a result, our local stores adapted to the needs of our customers by adopting local nonprofit groups and schools in order to make a deeper, more meaningful connection to the community.

When we entered the Los Angeles market — a very culturally diverse market representing an array of ethnicities and cultural backgrounds, we sought out multilingual associates to better serve the needs of the local population. In New York City, Staples was recognized for efforts in developing and implementing a program to increase partnerships with minority vendors — including a 4-part Spanish-language seminar series designed to equip existing business owners with the knowledge, skills and resources needed to grow successful businesses in both New York City and Los Angeles. Staples partnered with *La Opinion*, an L.A. Spanish-language daily, to launch a series of small business seminars, and after three successful years, Staples delivered the program to the second largest Hispanic population in New York City.

Fostering an inclusive and diverse work environment has also had a positive impact on our recruiting efforts. We want our associates to take pride in working for Staples because we clearly value, support and demonstrate diversity. This pride translates into a more productive, vibrant and loyal workforce that values high levels of achievement — individually and as a team.

To attract and retain people from diverse populations, careers at Staples are marketed through a variety of venues including historically black colleges and universities, job fairs and diversity Web sites. In 2005, our college-recruiting initiatives resulted in 69% diverse new hires and 41% female new hires. We work in partnership with a number of professional organizations representing women and minorities, including the National Association of Black MBAs, the Association of Latino Professionals in Finance and Accounting, the National Society of Hispanic MBAs and the National Association of Black Accountants.

In recognition of our efforts to advance diversity, Staples was named to *DiversityInc*® magazine's "Top 50" list for the second year in a row and was ranked second in their "Top 10 Companies for Executive Women" list. Reflecting the face of our customers helps us sustain the competitive advantage that is crucial to our ongoing success. Our associates' unique perspectives help us to better understand the needs of our diverse customer base. We believe that the affinity our customers have with our associates results in better customer service and ultimately a more rewarding shopping experience.

diversity supplier program

Our commitment to diversity is not limited to our customers and associates — it extends to our suppliers as well.

The mission of Staples' Diversity Supplier Program is to integrate minority, women-owned, and other disadvantaged business enterprises (MWBEs) into our strategic sourcing process and mentor them so that they may develop a strong foundation for future growth, thereby making it easy for our customers to support diverse suppliers. Staples is working hard to overcome the challenges of providing an effective Diversity Supplier solution, including:

- Enlisting the help of the MWBEs and regional minority councils
- Creating a Diversity Supplier Program that goes beyond just a "pass through" program
- Bringing new jobs to the community
- Helping our Diversity Suppliers grow sales, build capacity and gain operational efficiency
- Making it easy for our customers to easily source from preferred diversity suppliers

Through our Diversity One and Diversity Two programs, we provide solutions for customers interested in sourcing from MWBE suppliers.

The Diversity One solution enables MWBE suppliers to provide real services directly to customers through our Staples eDiversity Network, a Web-based program linked to StaplesLink.com®, our Contract division Web site. Customers place orders directly with our diversity suppliers, who manage these orders. This unique approach leverages the individual strengths of MWBEs, providing customers with the service and scope they require from a national Diversity Supplier Program. Staples worked closely with the National Minority Supplier Development Council and their local councils to develop this innovative program, which helps keep business dollars within suppliers' local communities. To qualify for this program, all of our Diversity One program MWBE suppliers must meet high standards, including:

- Maintain MWBE certification
- Established leadership in their markets
- Commitment to minority business development
- Investment in local community
- Active business participation by senior management

Our Diversity Two program offers customers the ability to purchase a wide selection of products manufactured by MWBE suppliers directly through our Staples Contract division catalog and StaplesLink.com, our Contract division Web site. Staples supports and promotes more than 80 MWBE suppliers and approximately 800 products through this initiative, which represents more than \$85 million in minority purchases for our customers.

In 2005, as part of our increased commitment to MWBE growth and to extending MWBE products across our customer base, Staples created a new Director of Diversity Initiatives position to manage and grow our Diversity Supplier Program across our North American Delivery business unit. This position is responsible for planning, developing and implementing all programs, policies and procedures necessary to assist Contract customers in purchasing quality products and services from MWBE suppliers.

Staples is continually enhancing and expanding our Diversity Supplier Program with MWBE suppliers that support diversity. For the second year in a row, we hosted the Staples Minority-Owned Business of the Year Award, to support our commitment to small businesses in America's inner cities and focus on minority-owned business entrepreneurs. One example is our ongoing relationship with Roxbury Technology, a Massachusetts-based manufacturer of remanufactured toner supplies. Not only is Roxbury Technology one of Staples' preferred MWBE suppliers of choice, our executives have served as mentors to the manufacturer's leadership team, sharing best practices in strategic planning, finance, marketing and legal disciplines. As a result of such partnerships, Staples was selected as one of the top corporations for multicultural business by DiversityBusiness.com in 2005.

associate satisfaction

Staples is a customer service business.

As a result, those who serve our customers — our associates — have always been our most valuable asset.

Associate development, retention and satisfaction are a high priority throughout every area of the company and are an integral part of our strong culture. We have built a reputation as a company where associates are empowered to do their best work, have a strong sense of ownership and commitment, and believe that we consistently demonstrate and live our team- and customer-focused values.

A defining characteristic of Staples' culture has always been our commitment to associates, which we support by offering them many ways to learn new skills and advance in their careers. We continually strive to make the most of each individual's unique ideas, perspectives, talent and capabilities. One way we work to ensure associate satisfaction and career development is through Staples University, a proprietary, world-class training program available to all associates, including classroom, computer-based and satellite instruction. In 2005, our efforts to continually invest in our associates through ongoing training helped us to fill nearly 50% of all management-level openings with internal candidates.

We also encourage our associates to invest in Staples by providing a wide range of equity incentive programs and profit-sharing opportunities. In addition, Staples' Employee Stock Purchase Plan gives all associates a chance to share in Staples' long-term success by investing in company stock at a discounted price. Our performance-based bonus program, available to all store associates, rewards high-performing teams for high levels of customer service and sales results.

We are committed to helping our associates save for the future and try to make saving easy for them. One example is our auto enrollment 401(k) plan feature that allows associates with five years of service who aren't participating to auto enroll at a 2% contribution rate, with contributions invested in a conservative portfolio. Currently, 90% of auto enrolled associates are still participating today. At the end of 2005, 15,324 U.S. associates were participating in the Staples 401(k), and for the year we increased participation from 50% to 62%.

There is also solid business sense behind our commitment to associates. For the past 20 years, associate satisfaction and engagement has fueled our growth from a start-up business to a \$16 billion global corporation, and we believe it will continue to as we evolve in markets around the world. This belief has allowed us to build a workforce of 69,000 associates who are exceptionally committed, engaged and empowered to make meaningful contributions every day.