

summary

about staples soul

our vision

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.

Staples
soul

It's what moves us.

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At Staples, we refer to our corporate responsibility programs as “Staples Soul.” Why “soul”? For us, “soul” embodies what it means to act with integrity, recognize and respect diversity, enrich and give back to the communities in which we operate, and sustain the natural environment upon which we all depend. Corporate responsibility is not just the right thing to do; it is a strategic asset that contributes to our future financial success by:

- differentiating and enhancing our brand
- supporting the development of innovative new products and services
- promoting new operational efficiencies
- attracting and retaining customers and associates
- mitigating business risks

performance summary

To measure the success of our corporate responsibility efforts, Staples has identified performance metrics in four areas: Ethics, Environment, Community and Diversity. We have provided information for these metrics over the past two fiscal years, and seek to continue to track these metrics over time. However, as our program efforts evolve, we may modify existing indicators and add new ones. Please see specific sections of this report for more information surrounding these indicators.

Indicator	2004	2005
Ethics ¹		
Percentage of salaried associates in U.S. who completed ethics training (training launched in 2005)	0%	63%
Number of factories audited for compliance with Staples' Supplier Code	172	233
Percentage of factories taking corrective action to resolve violations of Staples' Supplier Code	28%	30%
Environment ²		
Percentage of post-consumer recycled content by weight across all paper products sold by Staples in the U.S. and Canada	22.9%	29.9%
Total energy use in the U.S. (mmBtu)	2,610,000	2,880,000
Energy use per ft ² in the U.S. (Btu)	66,900	69,500
Greenhouse gas (GHG) emissions in the U.S. (metric tons of CO ₂ equivalents)	298,000	320,000
GHG emissions per ft ² in the U.S. (kg of CO ₂ equivalents)	7.6	7.7
Weight of computers and peripherals recycled for consumers in the U.S. (lb.)	195,000	710,000
Community ³		
Total charitable contributions (not including disaster relief)	\$9,677,797	\$9,168,822
Staples Foundation for Learning®	\$2,000,000	\$2,000,000
In-kind donations	\$4,918,346	\$4,198,161
Cash donations	\$2,759,451	\$2,970,661
Organizations supported by Staples Foundation for Learning	107	121
Diversity ⁴		
Female employees	44%	45%
Minority employees	30%	32%
Female senior management	27%	28%
Minority senior management	6%	7%

¹ Factory audit data is reported by calendar year. Factories audited manufacture Staples' brand products. Number of factories audited reflects factories undergoing initial, recertification or post-probation audits. Percentage of factories implementing corrective action to address violations includes factories receiving initial or recertification audits. Initial audits are conducted for new supplier factories, while recertification audits are conducted for existing supplier factories. Post-probation audits are conducted within six months for all factories placed on probation due to poor initial or recertification audit scores to determine compliance with corrective action requirements. For 2005, factory audit data is only through November 30, because we piloted and launched a significantly expanded social accountability audit program in December 2005. Please see the ethics section of this report for more information about our supplier responsibility program.

² All environmental data is reported for the fiscal year. Energy use data includes use of electricity, natural gas, propane, steam and fleet transportation fuel in the United States. GHG emissions include direct emissions from natural gas, propane and fleet transportation fuel use as well as the indirect emissions from electricity and steam, and reflect adjustments for the purchase of certified renewable energy certificates. GHG emissions are not adjusted for direct purchases of green power. Square footage used in calculations is across both retail and nonretail space. We seek to expand our environmental indicators to include the impacts of our global operations and will update these metrics as we gather more international data.

³ Community indicators are reported for the fiscal year. Total charitable contributions do not include \$908,010 in cash and product donations for disaster relief provided to victims of the Gulf Coast hurricanes in 2005 and \$134,026 provided for various disaster relief efforts in 2004.

⁴ Diversity information is reported by fiscal year for Staples operations in the United States, except for our SmileMakers® subsidiary where this information is not tracked. Diversity information for Business Depot and our international operations is not currently available. Senior management includes all Staples key management associates (job titles equal or equivalent to Director and above).

highlights of 2005 accomplishments

We have made progress across a number of corporate responsibility initiatives in 2005. In recognition of our efforts to date related to corporate citizenship, Staples was named to the Dow Jones Sustainability Index for the second consecutive year and the Business Ethics 100 list for the third year in a row. In the following sections, we provide highlights of our accomplishments in 2005 within our ethics, environment, community and diversity programs.

ethics

Our ethics program maintains a culture of integrity, ensuring that our associates understand and live by high ethical standards. We demonstrate our integrity by setting an ethical tone at the top, maintaining an effective governance structure and encouraging open and honest communication at all levels.

We hold ourselves accountable for doing business ethically and legally by providing our associates with practical tools to enable sound decision-making and the ability to come forward with questions or concerns without fear of retaliation. Our ethics program also holds our vendors and suppliers to high ethical standards through the terms of our contracts and our Supplier Code of Conduct. Through these initiatives, we strengthen our brand and ensure that our associates will continue to act in the best interests of Staples and our shareholders. Some of the ways we helped fulfill our commitment in 2005 are highlighted here:

- Launched EthicsPoint, a global third-party ethics help system designed to enable associates worldwide to ask questions and report ethics concerns in their native languages. EthicsPoint will be used as Staples' primary global internal case management and tracking tool.
- Developed and implemented ethics training for more than 7,000 U.S. and Canadian associates, designed to highlight key areas of Staples' Code of Ethics, including conflicts of interest, customer privacy, confidential business information and accurate books and records.
- Named internal ethics liaisons in Canada and Europe, who are responsible for helping to adapt and implement the global ethics program internationally.
- Enhanced associate awareness of acceptable customer data handling practices and modified business practices to guard against unauthorized use and disclosure.
- Strengthened Staples' commitment to ethical sourcing by developing an expanded social audit program for factories producing Staples® brand products in geographic areas of high risk.



environment

Staples' environmental initiatives help us operate our business in a more sustainable manner across our entire value chain, from procurement to the recycling services we offer to our customers. Reducing our environmental footprint is not only crucial to protecting the natural world and the ability of future generations to sustain themselves — it also helps meet customer needs, creates operational efficiencies, sparks new business opportunities, reduces future risks and enhances our brand.



We make it easy for our customers to make a difference by continually improving the environmental attributes of our products and services. We also continuously improve the environmental performance of our internal operations. Staples focuses its efforts in four major areas: environmentally preferable products, recycling, energy and climate and environmental education.

Some of our key environmental accomplishments for 2005 included the following:

- Expanded the amount of post-consumer recycled content by weight of all paper products sold from 23% in 2004 to 30% in 2005.
- Continued participation in the Paper Working Group, a group of 11 major companies committed to conserving forests and increasing the availability of environmentally preferable paper products.
- Participated with Georgia-Pacific and the Forest Stewardship Council in an ongoing project to explore achieving certification for small landowners in the southeastern United States. Staples is also involved in ongoing initiatives in Indonesia with the World Wildlife Fund and paper suppliers to improve forestry practices and conserve critical habitat.
- Integrated an environmental reporting tool into the systems used by account managers serving our larger business customers, enabling customers to receive reports on the environmental characteristics and impacts of their paper purchases over time.
- Through the World Resource Institute's Green Power Market Development Group, purchased renewable energy certificates to offset the environmental impacts of 10% of our total electricity use in 2005, equivalent to more than 53,000 MWh, or enough renewable electricity to power more than 4,800 homes in the U.S. for a year.
- Installed three solar photovoltaic systems on Staples Distribution Centers (two in California and one in New Jersey), collectively expected to produce more than 1,000 MWh — the average amount of electricity used by approximately 90 homes in the U.S. annually.
- Held eight computer recycling events across the U.S. as part of our commitment to addressing the eWaste problem, along with our continuing membership in EPA's Plug Into eCycling program and the Take It Back Network in Washington's King and Snohomish Counties.

community

Supporting local communities where we do business strengthens our relationships with customers and associates, a critical factor for our success as a company. We distribute resources to nonprofit organizations that provide educational opportunities for all people, with a special emphasis on disadvantaged youth. Staples assists the communities where our customers and associates live and work through the Staples Foundation for Learning®, national charitable partnerships, cause marketing programs and in-kind donations.



The following are the highlights of our efforts in 2005:

Staples Foundation for Learning

- The foundation supports nonprofit organizations that provide job skills and educational opportunities for all people, with a special emphasis on disadvantaged youth. By the end of fiscal year 2005, the foundation had awarded \$6 million in grants to 302 nonprofit organizations in 169 communities across the United States. National partners of the foundation include Boys & Girls Clubs of America, Initiative for a Competitive Inner City, Earth Force and the LINC TELACU Education Foundation.



- In February 2006, we announced a new partnership between Staples Foundation for Learning and the international nonprofit group Ashoka. Ashoka's mission is to shape a citizen sector that is entrepreneurial, productive and globally integrated, and to develop the profession of social entrepreneurship around the world. The foundation's support in 2006 will enable Ashoka's Youth Venture program to expand to five new countries where Staples also operates: Argentina, Brazil, France, Germany and Spain.



- Through Staples Foundation for Learning's support of Boys & Girls Clubs of America's Torch Clubs program, 1,166 new Torch Clubs have been created, serving more than 12,800 disadvantaged youth.

Cause-Related Programs

- Staples supports Boys & Girls Clubs of America through an annual back to school cause-marketing program called Supplies for School Kids, in which customers donate money to purchase basic school supplies for Boys & Girls Clubs of America members across the country. Since the program began four years ago, Staples has donated more than \$2 million in school supplies to Boys & Girls Clubs youth.



- Staples sells the Easy Button™ in our stores, with 100% of all proceeds, up to \$2 million through the end of fiscal year 2006, going to Boys & Girls Clubs of America.

In-Kind Donations

- Since 2004, Staples has donated more than \$7.3 million worth of office products to nonprofit organizations in communities throughout the United States. In Staples® stores, managers develop relationships with local charities and donate products to meet their needs. In addition, Staples Distribution and Fulfillment Centers provide much-needed supplies to organizations across the country such as SHOPA Kids in Need Resource Centers and Crayons to Computers.

diversity

Staples fosters a diverse and inclusive work environment, providing our 69,000 associates with the support they need to learn, grow and reach their potential.

To us, diversity isn't just about race and gender. It's about creating a company culture that is a living and evolving mosaic of people, experiences and thought. Diversity empowers our people to make meaningful and personal contributions that will continue to support our future growth as we seek to become the world's best office products company.

Diversity of people... our customers and associates

In every market where we have a presence, we believe in reflecting the face of our customers through our associates. We now operate in 21 countries and on four continents. To meet our objectives globally, we need to deeply understand the different cultures, perspectives and business needs of the countries and regions in which we operate. Our customers come to us with a wide array of ethnic backgrounds, ages, genders, cultures, lifestyles, beliefs and philosophies, and so do our associates. This shared diversity deepens and enriches the relationships we have with our customers, whether they are start-up businesses or Fortune 500 companies. It is one way Staples strives to make meaningful connections in the communities where we conduct business.

Diversity of experiences

The concept of diversity is far-reaching at Staples, and we value the perspectives, backgrounds and range of experiences our associates bring to the company. Our people, of course, represent a wide array of cultures and ethnic backgrounds, but they also represent a variety of life experiences, from those just starting out in their careers to those who have been with the company since it was founded in 1986. We believe employing associates with a wide range of work and life experiences enables us to think more creatively as an organization and gives us the flexibility needed to adapt to changing market conditions.



diversity continued

Diversity of thought

We see diversity of thought as a powerful differentiator. We value, recognize and reward innovative thinking and actively encourage people to think creatively in developing new business solutions.

One way we encourage diverse thinking is through our Invention Quest™ for Associates contest. The contest inspires associates to apply unique thoughts and perspectives in creating new product solutions for Staples. Another example is our intranet, the Staples@work portal, which facilitates the exchange of ideas among our associates around the world. The PIC/Easy program, accessed through Staples@work, enables associates to share their proposals for making things easier for our customers, resulting in process improvements and greater customer satisfaction.

2005 Diversity Accomplishments and Recognition

- For the second year in a row, named to *DiversityInc*® magazine's "Top 50" list for companies committed to diversity.
- Ranked 2nd as a great company for executive women by *DiversityInc* magazine.
- Selected as one of the nation's top corporations for multicultural business by DiversityBusiness.com.
- Received the 2005 Mosaic Award from the American Advertising Federation in the Multicultural Supplier Partnership category, nominated by *El Diario*, *La Prensa* and *La Opinión*.
- Scored a 93 out of a maximum 100 points for our support of Gay, Lesbian, Bisexual and Transgender equality in the 2005 Human Rights Campaign's Corporate Equity Index.
- Established a partnership with the Center on Business and Poverty regarding financial management for low-income associates.
- Ranked in the top 100 companies and recognized three years in a row as a great place to work in IT by *Computerworld*.

2005 awards and recognition

Staples received several awards and recognition in 2005 for our efforts in corporate responsibility, including the following:

- Included in the 2005 Dow Jones Sustainability Index
- Selected for inclusion in the 2006 Dow Jones Sustainability Index
- Included in various socially responsible investment funds or indices in 2005, including Calvert's Social Index Fund, Portfolio 21 Socially Responsible Mutual Fund, and others
- Named one of *Business Ethics* 100 Best Corporate Citizens of 2005
- Ranked first among public corporations in the Massachusetts 2005 Corporate Reputation Survey
- Received the 2005 Office Products International (OPI) Environmental Responsibility Award
- Received the 2005 Verizon Supplier Environmental Excellence Award
- Named one of Top 50 Companies for Diversity by *DiversityInc*® magazine
- Named one of Top 10 Companies for Executive Women by *DiversityInc* magazine
- Achieved 93 out of a maximum of 100 points for support of Gay, Lesbian, Bisexual and Transgender equality in the Human Rights Campaign Corporate Equality Index



2006 objectives

We recognize that there is much more we can do to advance corporate responsibility programs at Staples.

Objectives for the four program areas include:

ethics

- Continue to expand and refine ethics training for associates in North America and globally to address key business needs and risks.
- Continue to drive awareness of customer privacy and implement strategies where needed to promote sound information-protection practices.
- Communicate the availability of the new EthicsPoint Reporting System, enabling associates to report ethics questions or concerns openly or anonymously to a third party in their native languages by telephone or the Internet.
- Continue to integrate ethics into the global Staples culture through communication, education and the development of new programs where necessary.
- Apply new expanded social accountability audit to additional geographic regions and develop a longer term strategic plan to evaluate and strengthen our supplier responsibility program.

environment

- Make it easy for our customers to make a difference by continuing to improve our offering of environmentally preferable products and services.
- In the United States and Canada, ensure that 35% or more of all paper products sold by weight at the end of 2006 consist of post-consumer recycled content or environmentally preferable tree-free fibers.
- Extend environmental data collection and reporting to encompass international operations and establish specific global environmental improvement targets for 2007.
- Develop six or more additional on-site renewable energy projects in 2006, as resources allow, and pursue additional energy efficiency and carbon mitigation strategies, including projects related to operations and transportation.
- Incorporate certified fiber content into our paper products offered for sale within the constraints of market conditions, demand and cost considerations.

community

- Continue to build the global partnership between Staples Foundation for Learning® and Ashoka.
- Expand associate involvement in the communities where our customers and associates live and work.
- Further leverage relationships with partners in the areas of environmental stewardship, diversity, entrepreneurship and the Hispanic population to maximize impact on communities in the United States.

diversity

- Uphold an inclusive, results-oriented environment that values each member of our diverse and talented team.
- Sustain competitive advantage through our ability to mirror the diversity of our customers.
- Improve recruitment and retention from all diverse population segments.

stakeholder engagement

Staples' stakeholders include customers, shareholders, associates, suppliers, communities, nonprofit organizations, investors and others. We encourage open and honest dialogue with our various stakeholder groups. An overview of our efforts to engage our key stakeholders is provided here, including highlights of some of these efforts in 2005. We provide more information about our stakeholder relationships throughout the rest of this report.

Stakeholder	Engagement Strategies and Examples
Customers	<p>Our brand promise is to make buying office products easy, and we constantly strive to deliver on this promise. To gauge customer service in our U.S. Retail business, we conduct third-party "mystery shops" and tens of thousands of retail customer satisfaction surveys each month. In our North American Delivery segment, we conduct monthly surveys with our Staples Business Delivery customers. For Contract customers, we conduct quarterly surveys. Most of our environmental, community, diversity and ethics programs are designed to enhance customer satisfaction. Examples include our wide offering of environmentally preferable products, our diverse associates who reflect the face of our customers, our commitment to supplier diversity, the community events and organizations we sponsor, and our efforts to protect customer privacy and conduct business with integrity.</p>
Communities	<p>The communities where our associates and customers live and work are the cornerstone of our company-wide community outreach. Each year, we survey a general sample of community members in the United States to gauge their awareness and opinions of Staples' involvement in the community. We use this survey as a tool to help us determine where we need to increase our outreach efforts. In communities where we open new stores, we directly engage key community leaders and constituents to determine what the needs of the community are and how we can help address them. We also seek their counsel on which nonprofit organizations we should work with in their community.</p>
Associates	<p>Engaged associates are more satisfied in their work and are active contributors to our ongoing success. We foster engagement by providing opportunities and resources to improve teamwork, value and recognize innovation, reward high-achieving associates, and develop effective leaders across the company. Through our performance appraisal process, every associate works with his or her manager to define goals that foster continual development and growth. Staples University, our internal training department, offers hundreds of classes each year to promote the development of new and existing associates. In addition, we reach out to associates through a targeted communications program consisting of print, online and broadcast channels that reinforces core messages, goals and values in every market where Staples has a presence. Our Invention Quest® for Associates contest encourages our associates to contribute innovative new product ideas that will help Staples maintain its competitive market position. Finally, through pulse surveys and focus groups, we continually gather meaningful feedback from associates in our home office and the field that enables us to fine tune and refine our engagement and communications efforts.</p>
Nonprofit organizations	<p>As part of our community relations efforts, Staples supported 121 organizations in 2005. On environmental issues, we have been working with the World Resources Institute for the past several years as part of the Green Power Market Development Group and the Climate Northeast Partnership. We are working with Georgia-Pacific and the Forest Stewardship Council in an ongoing project to explore achieving certification for forest products from small landowners in the Southeastern United States. We have also partnered with Earth 911 to provide environmental education resources to businesses and consumers nationwide. Staples serves on the Leadership Council of the Open Compliance and Ethics Group (OCEG), a not-for-profit organization focused on the creation of a new framework to align governance, compliance, risk management and integrity into everyday business practices.</p>
Socially responsible investors	<p>The socially responsible investment (SRI) community seeks information on our corporate responsibility programs periodically as part of their investment portfolio screening process. We have provided information to KLD and Sustainable Asset Management, who selected Staples as part of the 2005 Dow Jones Sustainability Index. We responded to the third survey of the Carbon Disclosure Project, a collaboration of more than 200 institutional investors globally seeking information on the actions businesses are taking toward climate change. We also presented at the inaugural CSR Investor Conference in May of 2005.</p>
Suppliers	<p>We expect more from our suppliers than just high-quality products and services delivered at great prices. Suppliers providing Staples® brand products are required to adhere to our Supplier Code of Conduct, designed to protect workers' human rights, health and safety, as well as the natural environment. Paper suppliers bidding to sell high-tonnage category items (e.g., copy paper, multiuse paper, etc.) to Staples need to provide specific information concerning their environmental commitments and profiles of all of the mills contributing to the final product.</p>