

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
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growth • Creating a culture of integrity • Helping customers protect their
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• corporate responsibility at Staples®

Every day Staples strives to be a conscientious corporate citizen and great neighbor. Our focus on corporate responsibility, or what we refer to internally as Staples Soul, spans four pillars — community, diversity, environment and ethics.

Across the U.S. and around the world, Staples Soul is making a difference for our customers and associates. Impacting in a positive way the communities where we operate is the right thing to do, not only for our neighbors but also for our business. Already, we are seeing how Staples Soul is helping us build a better and stronger company 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, and mitigating business risks.

A summary of Staples' corporate responsibility efforts in fiscal year 2006 and a brief description of our future goals follows. For more details on our Staples Soul programs, please visit www.staples.com/soul, and consult our complete 2006 Staples Soul report.

• key accomplishments

Staples successfully pursued a number of initiatives in 2006 to advance our commitment to corporate responsibility. In recognition of our efforts, Staples was included in the Dow Jones Sustainability Index for the third year in a row. Our key achievements include:

ethics

- Establishing a comprehensive information protection and privacy program to safeguard our customers' information.
- Rolling out our Speak Up program to foster open, honest communication and encourage sound decision making.
- Launching new tools, such as an intranet-based ethics resource center and customized online training, to provide practical information that helps our associates make ethical decisions.
- Introducing a new ethics case management system to drive consistency and improve oversight.
- Completing the transition to more comprehensive social responsibility audits for factories manufacturing Staples® brand products globally.

environment

- Doubling our purchase of clean renewable energy to 20% of our U.S. electricity consumption.
- Offering more than 2,900 different products with recycled content.
- Installing nine rooftop solar systems with more planned for 2007.
- Recycling more than 17 million ink and toner cartridges and 3,500 tons of electronic waste.
- Reconfiguring our fleet of vehicles to save an estimated 500,000 gallons of diesel fuel a year.

community

- Supporting hundreds of organizations with donations totaling \$12.8 million, including 209 nonprofits through Staples Foundation for Learning®.
- Launching a global community presence with our support of Ashoka's Youth Venture program in five countries where Staples operates. Youth Venture programs did not exist in these countries before Staples teamed with Ashoka.
- Helping identify and promote the next generation of Hispanic role models through our support of the Hispanic Heritage Foundation.
- Raising \$750,000 for participating schools through our Recycle for Education program.
- Taking on a year-long leadership role in fund-raising for the Office Products Industry's charity of choice, City of Hope. The 2006 campaign raised \$6.2 million.

diversity

- Rolling out a new International Management Trainee Program to promote diversity of thought and develop future leaders who have global perspectives and expertise.
- Implementing a corporate diversity supplier management system to enhance diversity supplier registration and minority reporting capabilities.
- Ranking 42nd on the DiversityBusiness.com 2006 List of Top 50 Corporations for Multicultural Business Opportunities. In previous years, we received an honorable mention.
- Increasing the number of minority associates from 32% in 2005 to 34% in 2006, and increasing female representation in senior management from 28% in 2005 to 31% in 2006.

- performance indicators

Staples tracks performance metrics across the four cornerstones of Staples Soul that are important to our business and stakeholders. Information for 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%

ethics

Staples holds itself and each associate accountable for doing business ethically and legally. Staples demonstrates integrity by practicing good corporate governance, setting an ethical tone at the top, and establishing policies and procedures to help our associates adhere to high ethical standards.

- **code of ethics**

We created new tools and enhanced existing programs in 2006 to drive internal awareness of our Code of Ethics, and continue to foster a culture of integrity and personal accountability. Last year, 56% of U.S. salaried associates completed a customized ethics training program. As part of our phased rollout, the remaining 44% of U.S. salaried associates completed this training in early 2007. We also began a global expansion of our Code of Ethics awareness and training with the goal of adapting and implementing our Code of Ethics for our European, South American and Asian businesses. First up in 2007 is launching our Code of Ethics training in Canada.

To provide an easy way for Staples associates to get more information and help, we established a new online ethics resource center on the Staples intranet. We also introduced our Speak Up program. Speak Up enlists associates at all levels of the organization to voice, safely and confidentially, ethical questions or concerns they might have. This helps promote an ethical culture and increase communication among managers and associates. Finally, to improve oversight and streamline our internal handling of ethics concerns, we launched a new and improved case-management system.



• customer privacy

Staples' commitment to ethical operations took a huge step forward in 2006 as we appointed a privacy officer and implemented an information protection and privacy program. The cornerstone of this program is a new information protection and privacy policy, which defines which types of customer information are the most sensitive and what associates can and should do to protect it.

• ethical sourcing

In 2006, Staples completed our transition to conducting new, comprehensive, supplier responsibility audits for factories manufacturing Staples® brand products globally. As anticipated, our expanded social audit program has led to the identification of more issues requiring corrective action. We expect that our new social audit and related corrective action program will foster greater improvements in factory conditions than our previous program. Additionally, we are integrating both quality and social accountability audit data into a performance-management database that will help Staples better track and assess the performance of our factory suppliers.



environment

Staples' initiatives to help protect and sustain the earth take many forms, such as offering a wide assortment of eco-friendly products, making recycling services accessible to our customers and associates, investing in energy efficiency and renewable energy, and educating our customers and associates about how they can make a difference.

- **environmentally preferable products**

We currently sell more than 2,900 products with recycled content across business units, of which more than 2,200 are recycled paper products. We also offer customers other environmentally preferable products such as refillable pens and pencils, nontoxic markers and ENERGY STAR® qualified office technology products.

Overall, an average of 30% of the total weight of all paper products that Staples sold in 2006 contained post-consumer recycled content. STAPLES® Business Depot™, our Canadian business, started offering Domtar's EarthChoice™ line of paper products in 2006, which is certified by the Forest Stewardship Council to come from sustainably managed forests. We are working to increase our certified paper offerings given market demand and cost considerations. Later this year, we will announce our preference for products adhering to one forestry certification system. We believe this decision will help provide more focus for our paper suppliers related to sustainable product development.

• energy and climate

Doubling our purchase of renewable energy ranks as one of our proudest achievements of 2006. To date, we've greened 20% of our electricity, or more than 121,000 megawatt hours of power, through certified renewable energy certificates and direct green power purchases from wind, solar, landfill gas and biomass sources. That equals the amount of electricity used annually by more than 10,700 U.S. households.

As part of our commitment to on-site solar energy development, Staples is hosting a total of four operational rooftop solar plants. Five more solar plants were under construction as of the end of fiscal year 2006. The solar plant at our Killingly, Conn., distribution center, recognized as New England's largest solar installation, went live at the end of fiscal year 2006. The Killingly project is expected to provide 14% of the facility's electricity usage and to help prevent the release of greenhouse gas emissions equivalent to removing more than 50 passenger cars from the road each year.

We continue to seek new opportunities to save energy in our buildings and within our transportation fleet. In the fall of 2006, Staples modified the engine electronic control modules on more than 800 delivery trucks in our fleet to limit maximum driving speed, increasing our fleet's fuel economy. Based on initial testing, we expect to realize an improvement in fuel economy of 15% or more, which translates to an estimated fuel savings of more than 500,000 gallons of diesel annually.

• recycling

Staples serves as a convenient, reliable recycling resource for our customers and associates. We collected more than 17.8 million ink and toner cartridges for remanufacturing or recycling in 2006 alone, more than tripling our collections in 2005. To reduce the loss of reusable materials and generation of hazardous waste created by discarded technology products, we sponsored a number of programs across the country to collect computers, monitors, printers and other electronic waste. As a result of these programs, Staples recycled more than seven million pounds of electronics in 2006.

• education

Staples sponsors www.earth911business.org, which houses a wealth of information for businesses on how and where to recycle a variety of items based on zip code location. The Web site also offers guidance on how to implement recycling programs and source more environmental products.

To increase the visibility of our green efforts, we improved our communications on environmental affairs to our associates. We've also developed several educational brochures for our contract business customers related to reducing paper use and greening their offices.

community

Staples is committed to supporting the communities where our customers and associates live and work. Our philanthropic outreach includes both national and grassroots organizations with a focus on education. Through Staples Foundation for Learning®, strategic partnerships, cause marketing and monetary and in-kind donations, Staples is helping people become contributing members of society who give back to their communities.

- **staples foundation for learning**

Staples Foundation for Learning (SFFL) supports nonprofit organizations that provide educational opportunities and job skills training to all people, with a special emphasis on disadvantaged youth. In 2006, SFFL initiated two new partnerships — one to expand our impact worldwide and the other to enhance our support of Hispanic American communities.

- In 2006, SFFL began a partnership with Ashoka's Youth Venture program, which teaches youth how to bring about positive, lasting change in their communities. The SFFL grant helped Ashoka launch the Youth Venture program in five countries in Europe and South America — Germany, France, Spain, Argentina and Brazil — where Staples operates.
- The foundation also began support of the Hispanic Heritage Foundation's Hispanic Heritage Youth Awards (HHYA), which identify and promote the next generation of Hispanic role models; and the Latinos on Fast Track (LOFT) program, which develops productive and sustainable relationships between top Hispanic young professionals and America's workforce.



In addition to its new partners, SFFL continued its support of Earth Force, Initiative for a Competitive Inner City, and Boys & Girls Clubs of America (BGCA). Since the founding of SFFL, Boys & Girls Clubs of America has been the cornerstone of our foundation's charitable efforts. This year we renewed our support of BGCA with a new \$3 million, 3-year grant in support of the Torch Club program. Torch Clubs provide leadership development to children aged 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 BGCA in monetary and product donations.

The foundation also provided grants totaling \$3 million to 209 local nonprofits in 81 communities. The local nonprofits that Staples supports have a variety of missions, from encouraging talented African-American and Latino students to pursue careers in classical music to helping high-school dropouts improve their jobs skills. These local nonprofits include the Atlanta Symphony Orchestra, Jobs for Cincinnati Graduates, National Foundation of Teaching Entrepreneurship (Babson Park, Mass.), and the Center for Summer Learning (Baltimore, Md.).

Since its creation in 2002, Staples Foundation for Learning has awarded a total of \$9 million in grants to more than 460 national and local charities that serve hundreds of communities throughout the U.S.

● cause marketing

Staples also continued its cause-marketing program Supplies for School Kids, which encourages Staples customers to donate money to purchase school supplies for Boys & Girls Clubs of America members in their communities. Since 2002, Supplies for School Kids has contributed nearly \$3 million in school supplies to disadvantaged youth.

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 empty ink and toner cartridges to Staples for recycling. For every eligible cartridge we receive, a participating school earns \$3. Staples makes it easy to participate in the Recycle for Education program by supplying participating schools with prepaid mailers for their cartridges.

Additionally, since 2005, Staples has donated \$1 million annually to Boys & Girls Clubs of America from the proceeds of our brand icon sales, the Staples® Easy Button®.

In 2006, Staples helped raise \$6.2 million for City of Hope, a medical research and treatment facility dedicated to the prevention and cure of cancer and other life-threatening diseases. Staples will continue to support City of Hope with various fund-raising activities in 2007.

● in-kind donations

To empower Staples® stores, distribution centers and delivery fulfillment centers to make donations to local charities of their choice, Staples offers the "We Care" gift card program. The "We Care" program, combined with other donations of product and gift cards, has resulted in gifts exceeding \$15.8 million since 2004.

Hispanic Heritage
FOUNDATION



BOYS & GIRLS CLUBS
OF AMERICA



diversity

In 2006, Staples continued to focus our diversity initiatives on developing our associates to promote diversity of thought, reflect the face of our customer base, and foster a culture of inclusion, innovation and adaptability.

- **diverse thoughts**

In 2006, Staples brought together newly hired managers from around the world to our Framingham headquarters, launching the new International Management Trainee Program. Associates identified as future Staples leaders participated in 12 weeks of intensive training and a pioneering exchange of best practices and innovation. Our first group of associates graduated from the program in early 2007. This year, Staples invested significant resources in this program to better prepare associates for leadership roles across our organization. The International Management Trainee Program will undoubtedly help transform Staples from a U.S. company that operates internationally to a truly global company.

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• diverse associates

Staples recognizes that competing in this diverse world today and tomorrow requires the continued attraction, development and placement of talent from different ethnic backgrounds, cultures and genders. Through our college recruiting initiatives and working with organizations such as INROADS, the National Association of Black MBAs, the National Association of Hispanic MBAs, the Association of Latino Professionals in Financing and Accounting and more, we have continued to make progress in expanding the diversity of our associates. From 2004 to 2006, Staples increased the minority and female representation within senior management from 6% to 8% and from 27% to 31% respectively.

• diverse suppliers

Throughout the past year, we initiated a variety of actions to help strengthen the foundation and the future of our Diversity Supplier Program. This program allows customers to easily buy products directly from diversity suppliers that do business with Staples. Staples also attended and supported more than 25 supplier diversity events, and the Staples Director of Diversity Initiatives was named to the Board of Directors of the Chicago Minority Business Development Council (CMBDC).

Staples proudly accepted a number of diversity awards in 2006. After receiving an honorable mention in previous years, Staples was ranked 42nd on the DiversityBusiness.com Top 50 Corporations for Multicultural Business Opportunities List. Staples also received PNC Bank's Minority, Women and Disadvantaged Business Enterprise Strategic Partnership Award and, for the second year in a row, New York Life's Silver Prime Award for Supplier Diversity.



• looking ahead

While we're proud of our accomplishments, all of us at Staples realize that we have much more to do in 2007 and beyond. Plans are already in place to expand many of our current programs and launch new, exciting ones. In 2007 and the years to come, we will focus on the following areas:

ethics

- Continue to drive a culture of integrity and accountability by reinforcing our Speak Up program in the U.S. and by adapting Speak Up to fit the culture in each of our international operations.
- Increase global awareness of our Code of Ethics through communication and training.
- Expand the global reach of our privacy and information protection program, starting with Europe.
- Roll out online Code of Ethics and Information Protection and Privacy training in Canada.
- Develop and implement globally a comprehensive antibribery program.

environment

- Improve and expand our offerings of environmental products.
- Make it easy for our customers to find environmentally preferable products.
- Target new locations across the U.S. to install rooftop solar systems. We anticipate starting construction on more than 15 new projects in 2007 alone. We will also pursue opportunities to install wind turbines at several sites to reduce our carbon impact.
- Increase and enhance the recycling services we provide to make it even easier for our customers to make a difference for the environment.

community

- Continue our support of Ashoka's Youth Venture program, expanding the initiative to Belgium and Canada.
- Expand community giving and associate involvement in key markets throughout the countries where Staples operates.
- Build on relationships with partners in the areas of environmental stewardship, diversity and entrepreneurship to maximize impact on communities in the U.S.
- Further identify and communicate volunteer opportunities to our associates around the world, as we believe funding is only one piece of our giving solution.

diversity

- Continue to create a culture of inclusiveness and grow our diverse workforce by attracting and retaining top talent.
- Cultivate and leverage the potential of all associates through training and development, including expanding our International Management Trainee Program to other countries in which Staples operates.
- Reflect the face of our customers by serving communities in which we do business, particularly investing in and building our relationships with minority- and women-owned vendors and supplies.
- Become a preferred vendor to minority- and women-owned businesses.

The above information details just a few of our upcoming endeavors. For more details about our accomplishments and how we plan to get involved, give back and make a difference in the future, visit www.staples.com/soul, and read our complete 2006 Staples Soul report.



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

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