



Staples Soul. It's what moves us.

a message from Ron Sargent, chief executive officer

At Staples, we've built a successful business in 20 short years by meeting the office products needs of our customers. From the beginning, we have strived to conduct our business in a way that will have a positive impact on the people, communities and environments we touch. "Staples Soul" is the term we use to describe this commitment to corporate responsibility. We invite you to learn about Staples Soul and our accomplishments in this, our second annual Corporate Responsibility Report.

We're proud of our achievements in 2005 across all four areas of Staples Soul: ethics, environment, community and diversity. A few highlights for the year include:

- We increased the amount of post-consumer recycled content across all paper products sold in the United States and Canada from 23% in 2004 to 30% in 2005.
- We selected Ashoka, a nonprofit organization focused on developing social entrepreneurs, as a new Staples Foundation for Learning® global charity partner.
- We established a new director-level diversity supplier position within our North American Delivery business unit.
- We launched a global third-party ethics reporting system so that associates can confidentially ask questions and report ethics concerns.

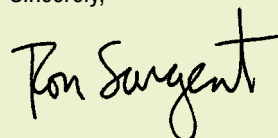
While we're pleased with our progress, we will continue to drive improvements in 2006.

Our goal is to increase the amount of post-consumer recycled and alternative-fiber content by weight across all paper products sold in the United States and Canada to 35% in 2006. We will also develop and implement a plan to strengthen our information-protection practices, including customer privacy. Through the financial and programmatic support of Staples Foundation for Learning®, Ashoka will launch its Youth Venture Entrepreneurship Program in five new countries where Staples operates.

To communicate more transparently with our stakeholders, we greatly expanded the depth of coverage in this report compared with our 2004 reporting, and recently launched a new Staples Soul corporate responsibility Web site (www.staples.com/soul). We're currently working on developing a Staples Soul intranet community where our associates around the world can learn more and get involved.

Our achievements in 2005 and high expectations for continued improvement in the years ahead would be impossible without the dedication of our 69,000 associates. They are the force that drives our ability to sustain and grow our business, as well as achieve our high standards of corporate responsibility.

Sincerely,



Ron Sargent
Chairman & CEO

table of contents

	Global Reporting Initiative (GRI) Indicator(s)*
3 Company Profile	2.1–2.8, EC1
5 About this Report	2.11–2.13, 2.17, 2.21
6 Summary	1.1, 2.9, LA1, S04
6 About Staples Soul	
7 Performance Summary	
8 Highlights of 2005 Accomplishments	
13 2005 Awards and Recognition	
14 2006 Objectives	
15 Stakeholder Engagement	
16 Ethics	3.1, 3.2, 3.8, 3.16, HR1–7, HR10, S02,
17 Code of Ethics	
18 Corporate Governance	
20 Supplier Responsibility	
26 Environment	3.16, EN3–4, EN8, EN11, EN14, EN17, EN19, EN33–34
27 Environmentally Preferable Products	
33 Recycling	
36 Energy and Climate	
41 Environmental Education	
42 Community	EC10
43 Staples Foundation for Learning®	
46 Cause-Related Programs	
46 In-Kind Support	
46 Associate Involvement	
47 Disaster Support	
47 Staples Business Depot™ in the Community	
48 Diversity and the Workplace	LA11–12
49 Diversity	
51 Associate Satisfaction	

company profile

Staples, Inc. founded the office supplies superstore industry when we opened our first store in Brighton, Massachusetts in 1986. Today, Staples is the world's largest office products company, with \$16.1 billion in sales and 69,000 talented associates. We make it easy for our customers to purchase a wide range of office products, including office supplies, technology, furniture and business services.



Headquartered outside of Boston, Massachusetts, Staples operated 1,780 stores worldwide by the end of fiscal year 2005. We also serve our customers through our mail-order catalog, eCommerce and contract businesses. Our customers include consumers and businesses ranging from home-based enterprises to Fortune 500 companies in 21 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 1,520 office superstores as of 2005.

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, a joint venture in China and ownership of OfficeNet, an office products delivery business serving customers in Argentina and Brazil.

More detailed information about our operations, structure, and financial performance is presented in our 2005 annual report, available at <http://investor.staples.com>.

financial and operating information (fiscal years 2001 to 2005)

	2001	2002	2003	2004	2005
Sales	\$10.74 billion	\$11.6 billion	\$12.97 billion	\$14.45 billion	\$16.07 billion
North American Retail	\$6.91 billion	\$7.17 billion	\$7.67 billion	\$8.32 billion	\$9.04 billion
North American Delivery	\$3.01 billion	\$3.39 billion	\$3.7 billion	\$4.2 billion	\$4.95 billion
International Operations	\$0.8 billion	\$1.04 billion	\$1.6 billion	\$1.93 billion	\$2.1 billion
Gross Profit	\$2.57 billion	\$2.94 billion	\$3.5 billion	\$4.1 billion	\$4.59 billion
Net Income	\$265 million	\$446.1 million	\$490.2 million	\$708.4 million	\$834.4 million
Diluted EPS (pro-forma)	\$0.26	\$0.63	\$0.66	\$0.93	\$1.12
Total Retail Stores	1,436	1,488	1,559	1,680	1,780
United States	1,066	1,088	1,134	1,188	1,260
Canada	195	212	224	238	262
Europe	175	188	201	254	258
Worldwide Associates	53,036	54,834	59,230	63,843	68,304

about this report

This is the second corporate responsibility report Staples has produced — the first was released in 2004. It is the first report in which we have sought to follow the 2002 Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (www.globalreporting.org). Since we have tried to keep the scope of the report focused on performance indicators that are material to our various stakeholders, many performance indicators recommended by GRI are not covered in this report. In addition, for some reporting indicators that we would like to include, we do not currently have adequate information to report, or the systems to gather such information. A cross-reference to the location of GRI indicators partially or fully covered in this report is provided in the Table of Contents.

Throughout the report, we have indicated the geographic scope of the information presented and have noted any exclusions. The scope of the nonfinancial reporting presented here is primarily global, except for our environmental and community information, which is generally limited to the U.S.-based operations of Staples, Inc. As our environmental data collection systems are expanded, we plan to include environmental information from our operations in other countries. We recently extended our community relations programs to international markets, and we will report on our programs in other countries as they develop.

Information contained in this report is presented on a fiscal-year basis unless otherwise noted. The starting and ending dates for Staples fiscal years from 2001 to 2005 were as follows:

staples fiscal year start and end dates, 2001–2005

Fiscal Year	Started	Ended
2001	February 4, 2001	February 2, 2002
2002	February 3, 2002	February 1, 2003
2003	February 2, 2003	January 31, 2004
2004	February 1, 2004	January 29, 2005
2005	January 30, 2005	January 28, 2006

We believe 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.

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.



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.

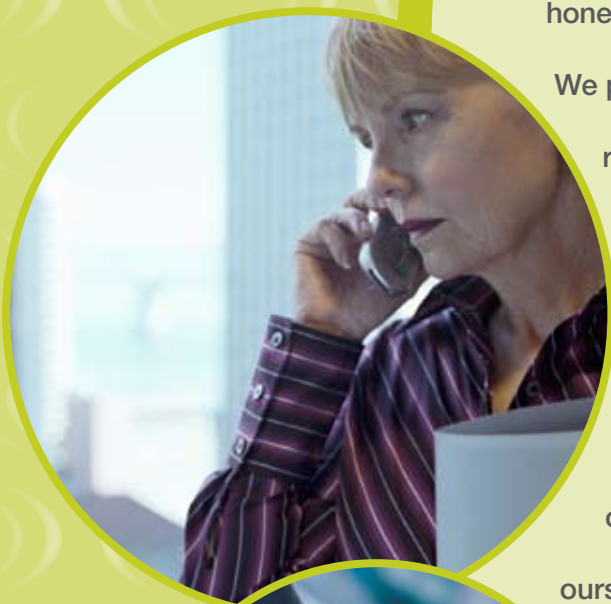
Stakeholder	Engagement Strategies and Examples
Customers	Our brand promise is to make buying office products easy, and we constantly strive to deliver on this promise. To gauge customer service in our U.S. Retail business, we conduct third-party "mystery shops" and tens of thousands of retail customer 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.
Communities	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.
Associates	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.
Nonprofit organizations	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.
Socially responsible investors	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.
Suppliers	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.

ethics

We foster a culture of integrity at Staples by maintaining a strong corporate-governance structure, setting an ethical tone at the top, and encouraging open and honest communication across all levels of the company.

We provide our associates with a variety of practical resources to enable sound decision-making and the ability to raise questions and concerns without fear of retaliation. We also set high ethical standards for our vendors and suppliers through the terms of our contracts and our Supplier Code of Conduct. Through these initiatives we hold ourselves accountable for conducting business in an ethical and legal manner, thereby strengthening our brand and ensuring that we act in the best interests of Staples and our shareholders.

The foundation of our ethics program is our Code of Ethics, a set of guiding principles that applies to all Staples associates, including our Board of Directors.



code of ethics

Staples adopted its Code of Ethics in 1995, and it has guided the company as it has grown into a \$16 billion enterprise. In February 2004, Staples created the role of Vice President, Business Ethics to increase global awareness of our ethics standards and to implement strategies to ensure their alignment with everyday business practices. In 2005, Staples updated the Code of Ethics to make it clearer and easier for our associates to understand.

The Code covers the following areas:

- Complying with laws and internal policies
- Avoiding conflicts of interest
- Authorizing contracts
- Buying and selling Staples stock
- Protecting confidential information
- Keeping accurate books and records
- Making proper payments
- Respecting customer privacy
- Contributing to a fair, safe and inclusive workplace
- Competing fairly and aggressively
- Getting help and reporting concerns
- How Staples handles reports of misconduct and violations

A complete copy of the Code is available at www.staples.com/ethics. Our Code sets forth our core ethics expectations for associates around the world. In our associate handbook, which is distributed to all new U.S. associates when they join the company, we include a brief summary of our Code of Ethics and ways that associates can get help and report concerns. Staples currently requires more than 10,000 associates in the United States and Canada to complete a Code of Ethics acknowledgment on an annual basis.

We regularly communicate our ethics policies and expectations through various internal channels, and seek feedback from associates about our ethics program to determine where there is a need for improvement. To understand how associates feel about Staples' ethics programs and policies and how ethics fit into our culture, we conducted our first-ever ethics survey in the spring of 2005. Overall, feedback about our ethics programs was positive, but we identified several areas for improvement that have influenced our recent efforts, including a desire for ethics training and additional resources for getting help or confidentially reporting concerns. Staples initiated several programs in 2005 (some of which had already been in development) that helped address these issues.

We launched a company-first online ethics training program to more than 7,000 associates in the United States and Canada in the fall of 2005. The training covered key aspects of the Code of Ethics, including practical guidance on appropriate conduct relating to conflicts of interest, customer privacy, confidential business information, and accurate books and records. It also provided additional information on a variety of different options we offer our associates to get help and report concerns. Based on what we learned from this recent training initiative, we are developing a revised online ethics training program for 2006. The training will be required for approximately 10,000 associates in the United States and Canada, most of them salaried, and will include customized modules for different business units.

In 2005, Staples introduced a new global ethics helpline and reporting tool, the EthicsPoint Reporting System, to enable associates worldwide to report ethics questions or concerns openly or anonymously to a third party in their native languages by telephone or the Internet. Although most issues are best resolved locally through our open-door philosophy, we have made it a point to offer associates a variety of internal ways to raise minor concerns before they become problems. EthicsPoint supplements these internal options. It is no substitute for honest, open communication between associates and managers, but it provides a valuable safety net to protect our brand.

corporate governance

Since our founding, Staples has sought to follow best practices in corporate governance to ensure that we operate in the best interests of our shareholders. Our commitment to sound corporate governance has created a strong framework for responsiveness and accountability that includes several significant features:



Director and Committee Independence

As of the end of fiscal year 2005, a substantial portion (9 out of 12) of our directors were independent as defined under NASDAQ listing standards. Each of our Audit, Compensation, Nominating and Corporate Governance, and Finance Committees is comprised entirely of independent directors and has the authority to retain independent advisors and consultants, with all fees and expenses to be paid by Staples.

Lead Director and Independent Director Meetings

Our Board annually appoints an independent lead director to chair the executive sessions of our independent directors (at least two meetings per year). The independent lead director consults with the Chairperson of the Board and Chief Executive Officer on agendas for Board meetings and other matters pertinent to the Board.

No Shareholder-Rights Plan

We do not have a shareholder-rights plan and are not considering adopting one. In response to our shareholders' request, our Board adopted a policy under which we will only adopt a shareholder-rights plan if the plan has been approved by shareholders either in advance or within 12 months of its adoption by our Board.

Senior Executive Compensation

As part of its review of senior executive compensation, our Compensation Committee uses tally sheets detailing aggregate compensation under potential retirement, termination, severance and change in control scenarios. In order to provide our shareholders with a more transparent and comprehensive discussion of senior executive compensation, summary results from these tally sheets are included in our proxy statement.

Stock Ownership Guideline

Our stock ownership guidelines align management's interest with the interests of our shareholders by providing minimum equity ownership levels for all senior executives, including the CEO, who must own equity worth at least five times his salary.

Recent Changes

During fiscal year 2005 and the initial portion of fiscal year 2006, we made several important advances in our Board's policies and practices:

- Our Board recommended that at our 2006 Annual Meeting our shareholders declassify our Board and provide for the annual election of each director.
- Our Board adopted a policy that any director receiving a majority of votes withheld for his or her election would be required to tender his or her resignation for consideration by our Board.
- Our Compensation Committee implemented a compensation program under which a significant portion of our executive leadership team's equity compensation consists of stock awards that vest only if we achieve specified performance targets.
- Our Board adopted a policy governing how we review and disclose corporate political contributions.

Staples will continue to evaluate and modify our policies and practices to meet ongoing developments in this area, consistent with our commitment to best practices in corporate governance. For more information about our current corporate governance principles, including our Corporate Governance Guidelines and Committee Charters, visit staples.com/ethics.



supplier responsibility

Staples® brand products are contract manufactured for us and carry a brand name belonging to Staples or one of our affiliates or subsidiaries. Staples® brand products are a major focus of growth and differentiation for Staples. Through improved quality, packaging, design and pricing, as well as the development of innovative office product solutions, sales of Staples® brand products worldwide grew from less than 11% of total sales in 2002 to 18% of total sales at the end of 2005.

Staples does not just evaluate our Staples® brand suppliers on price, quality and capacity. We also seek to work with suppliers that operate in a manner that protects workers' human rights, workers' health and safety, and the environment. Therefore, all suppliers providing us with Staples® brand products are required to comply with our Supplier Code of Conduct, which is available at www.staples.com/ethics. To ensure compliance with our Supplier Code, we have independent third-party auditing firms conduct factory audits of suppliers manufacturing Staples® brand products.⁵

Although we have been conducting social accountability audits of factories supplying Staples® brand products since 2000, our supplier responsibility program has evolved considerably since its inception, with the goal of promoting continuous improvement across our supplier factories. For example, in 2002 we moved from auditing a sample of factories to requiring social accountability audits for the majority of factories outside the United States supplying us with Staples® brand products. In 2004, we formalized 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.⁶ That same year we asked Business for Social Responsibility to evaluate our supplier responsibility program and recommend improvements to our policies and procedures. We also benchmarked supplier responsibility program practices in the retail industry in 2004 and the first half of 2005.

Based on the information we gathered, we made additional changes to our Supplier Code of Conduct in the latter half of 2005. At that time, we also developed a new, expanded social accountability audit program for areas of high risk and hired a new independent auditing firm to conduct the new audits. This new social accountability audit program was launched in December 2005 in Southeast Asia and India. We are planning to extend this audit structure to other countries outside the United States in fiscal year 2006.



⁵ Outside of Staples® brand products, we sell products from hundreds of vendors who in turn source from thousands of independently owned and operated factories globally. Therefore, we do not audit all of the factories supplying our vendors to determine compliance with our Supplier Code. Instead, we encourage our vendors to adopt and enforce our Supplier Code or a similar code of conduct to ensure that their products are manufactured ethically. Moreover, in our global vendor contracts we reserve the right to terminate a relationship with a vendor at will if we discover the vendor has violated standards specified in our Supplier Code in its sourcing of products.

⁶ Outside of our Supplier Code, we require potential suppliers of various paper products such as copy and print paper, multituse paper, and notebook paper to complete a detailed questionnaire on their environmental practices, policies and the environmental characteristics of their supply chain. We cover this process in more detail within the Environment section of this report, under Environmentally Preferable Products.

supplier responsibility continued

While we've made several improvements to our factory-auditing program over the past several years and have more improvements planned for 2006, we recognize that poor factory working conditions are caused by a multitude of factors that auditing alone cannot resolve. Violations can occur due to one or more of the following root causes, among others:

- Limited understanding of labor standards and requirements at the factory management and/or worker level
- Inaccurate forecasting by buyers caused by unexpected swings in demand
- Unreasonable demands made by buyers with respect to delivery time
- Poor business management skills at the factory level
- Competing level of demand and enforcement from different buyers for compliance with labor standards, some of which may conflict
- Competitive pressure in the manufacturing industry that leads some factories to violate certain labor standards
- Inadequate enforcement and regulation of working conditions at the local, regional or country level

Staples and other retailers are challenged to seek additional methods to address some of these root causes, whether through industry cooperation, improved internal procedures, or more direct involvement with key supplier factories. Despite its limitations, factory auditing can help drive improvements in factory conditions and will remain a critical part of our supplier responsibility program.

factory auditing and compliance

As of December 2005, more than 290 factories in 18 countries supplied Staples® brand products. When seeking a new supplier partner for Staples® brand products, 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 a factory audit to ensure that the factory meets our requirements for quality, social accountability and security.

All audits are conducted using independent third-party auditing firms. We require new supplier factories to undergo an initial audit to determine if violations exist before we will source products from them. Active factories must be recertified periodically to remain suppliers. Factories that score poorly on audits are placed on probation and are required to complete corrective action to rectify any violations. Once on probation, factories must also agree to follow-up audits and a post-probation audit to confirm that required improvements have been completed and that the factory meets all of our other requirements.



Auditors visiting a factory in Zhejiang province, China that produces highlighters for Staples.

factory monitoring and compliance continued

We currently maintain two audit programs. Prior to December 2005, we were only auditing supplier factories producing Staples® brand products using a combined quality and social accountability audit. Our combined audit involves a 12-person hour visit by our third-party auditing firm and covers quality systems, critical social accountability issues, and a Customs Trade Partnership Against Terrorism screening for any products produced outside the United States and destined for the United States. The seven critical social accountability areas of focus in this audit program include minimum age, wages and benefits, health and safety, overtime, environmental protection, forced or compulsory labor, and disciplinary practices. Any violation in the critical social-indicator areas results in the factory being placed on probation.

In December 2005, Staples launched a new social accountability (SA) audit program specific to Southeast Asia and India — where the majority of our supplier factories are located — to better address continuing issues with working conditions in those areas. Rather than receiving the combined quality and social accountability audit, supplier factories located in Southeast Asia and India must now pass a separate full-day SA audit in addition to a stand-alone quality and security audit. In fiscal year 2006, we plan to roll out the full-day SA audit and separate quality and security audits to factories in all other countries, thereby replacing the combined audit program.

The new SA audit covers the majority of the factories we audit that supply Staples® brand products to us; more than 80% of the factories we audited in 2005 were located in China, other countries in Southeast Asia or India. Our supplier factories in these regions typically experience the most frequent social accountability violations, and we believe that a dedicated SA audit program is required to help ensure that we are sourcing products from these areas responsibly. We expect the new SA audit program to provide a better understanding of specific factory conditions in these geographic areas, to better encourage continuous improvement in factory conditions, and to ensure that appropriate and comprehensive corrective action is implemented to resolve issues.



Workers in a Chinese factory producing Staples® brand shredders.



The new SA audit covers eight key areas, including minimum age, wages and benefits, health and safety, overtime, environmental protection, forced or compulsory labor, disciplinary practices and freedom of association. It also includes more than 100 indicators, ranging in designation from critical to minor. Each factory is rated on a scale, with factories required to achieve a specific score to become certified. If any critical indicators are violated, the factory is placed on probation and corrective action is required. If no critical violations occur, but the factory does not score high enough to become certified, it is required to complete corrective action. A new third-party auditing firm is performing all of our SA audits. Every auditor performing the audits has been trained under the SA 8000 standard, one of the leading social accountability audit standards currently available. All factories must be certified annually.

Regardless of whether a factory receives a new SA audit or a combined quality and social accountability audit, the process used to address critical issues or probationary status remains the same. Within two weeks of a violation, factories must sign a corrective action plan (CAP) developed by Staples and sign a letter of commitment (LOC) pledging to improve conditions to continue to have a relationship with Staples. If a factory refuses to participate after we explain our policies and requirements and why they should invest in improvements, we will end our relationship with the factory.

Once the CAP and LOC are received, the factory is considered in probationary status and follow-up audits are scheduled. These are half-day audits focusing on specific violation areas typically conducted at 30- to 60-day intervals after probationary status to determine progress against required corrective action. A post-probation audit occurs six months after the initial violation. Factories that do not pass the post-probation audit remain on probation and can remain a supplier if they demonstrate significant progress on additional follow-up audits and a second post-probation audit. We strive to work with our supplier factories to drive improvements in working conditions and achieve compliance with our standards over time. However, we will discontinue our relationship with factories that choose not to make progress toward resolving corrective action items.

Violations for overtime, health and safety, and wages and benefits are prevalent within the factories we audit in China, India, Indonesia and Thailand. All three concerns are common in factories operating in these countries based on feedback from auditing firms, social accountability nonprofits, and a review of social audit violations that other corporations have reported. As demonstrated in our performance metrics in the following tables, these specific problems have persisted over time and in some cases worsened, despite an increasing focus on auditing and monitoring among companies sourcing from these areas.

Considering our focus on continuous improvement, we are pleased to see that factories undergoing recertification audits have demonstrated better compliance rates than new factories undergoing initial audits. However, our post-probation audit results showed an increase in the need for continuing corrective action from 2004 to 2005. We are working to improve post-probation audit results, and we will continue to seek timely and sustained compliance as we fully implement our new SA audit program.

factory social accountability audit data*

Indicators	2004	2005
Number of initial, recertification and post-probation audits conducted	184	241
Number of factories audited for compliance with Staples' Supplier Code	172	223
Percentage of factories completing initial audits required to take corrective action to address violations of Supplier Code	32%	33%
Percentage of factories completing recertification audits required to take corrective action to address violations of Supplier Code	19%	24%
Percentage of factories completing post-probation audits required to take corrective action to address violations of Supplier Code	13%	27%

* 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. All information is presented on a calendar-year basis. For 2005, factory audit data is only through the end of November.

violations of supplier code standards**

(percentage of audited factories with violations worldwide)

Category	2004	2005
Minimum age [^]	1%	2%
Wage and benefits	18%	21%
Occupational health and safety	16%	11%
Overtime	20%	23%
Environmental and hazardous waste	3%	2%
Forced or compulsory labor [^]	1%	2%
Disciplinary practices	1%	0.4%
Two or more critical violations	20%	22%

** Percentages of factories worldwide in a specific calendar year with a violation in one of the seven social accountability areas and the percentages of factories worldwide that have two or more violations across our initial, recertification and post-probation audits. All information is presented on a calendar-year basis. For 2005, factory data is only through the end of November.

[^] Minimum age violations are typically cited due to a lack of proper paperwork and identification rather than due to proof that underage laborers are working in the factory. Forced labor violations have been related to pay withholding or improper loans from factory managers rather than prison labor or indentured labor situations. Staples does not tolerate factories using prison, bonded or indentured labor or knowingly employing underage workers.

2005 factory social accountability audit data by country*

Country	Factories audited	Factories with one or more Supplier Code violations (%)	Factories violating Supplier Code provisions, by type of violation (%)						
			Minimum Age [^]	Wage and Benefits	Health and Safety	Overtime	Environment	Forced Labor [^]	Disciplinary Practices
Brazil	2	0%							
Canada	10	0%							
China	147	39%	2%	25%	12%	27%	2%	3%	<1%
England	2	0%							
Germany	1	0%							
India	4	50%	50%	50%	50%	50%	0%	0%	0%
Indonesia	3	33%	0%	33%	0%	33%	0%	0%	0%
Japan	1	0%							
Korea	3	0%							
Malaysia	2	0%							
Mexico	3	0%							
Poland	1	0%							
Taiwan	14	14%	0%	7%	0%	7%	0%	0%	0%
Thailand	6	50%	0%	17%	33%	33%	0%	0%	0%
Turkey	1	100%	0%	0%	0%	100%	0%	0%	0%
UAE	1	0%							
USA	21	0%							
Vietnam	1	0%							
Total	223	30%							

* Calendar year 2005 data up until December of 2005. No results from the new social accountability (SA) audit program launched in December 2005 are included here; they will be reported at the end of fiscal year 2006. Those countries highlighted within the table are where the new SA audit program is currently in use. All percentages in the table reflect the percentage of audited factories in violation across any initial, recertification or post-probation audits.
[^] Minimum age violations are typically cited due to a lack of proper paperwork and identification rather than due to proof that underage laborers are working in the factory. Forced labor violations have been related to pay withholding or improper loans from factory managers rather than prison labor or indentured labor situations. Staples does not tolerate factories using prison, bonded or indentured labor or knowingly employing underage workers.

future efforts

In the first few months after launching our new SA audit program, we're finding the results we expected. Specifically, a much larger percentage of factories require corrective action to meet our social accountability standards now compared to 2004 and 2005, because we're digging much deeper into specific working-condition issues. Rather than focusing strictly on the percentage of factories requiring corrective action, we're more concerned with driving improvements in the factories we audit over time.

We expect that a greater percentage of factories will require corrective action in the future compared to previous years due to the increased standards of our new SA audit program. But we also expect that our new SA audit will serve as a more complete evaluation tool, enable us to identify specific issue areas across factories, drive greater improvements in factories working to change their practices, and ensure that we promptly end our relationships with factories that choose not to meet our standards.

As our supplier responsibility program continues to evolve, we will seek to understand how we can better address some of the root causes of poor factory working conditions beyond making changes to our audit program. In fiscal year 2006, we will closely monitor our supplier responsibility program and develop a strategic plan to inform future improvement efforts. Depending on our internal assessment, we may decide to engage with a nonprofit partner with expertise in the supplier responsibility area to evaluate our overall program and recommend additional changes.

environment



Our environmental initiatives help us to operate our business in a more sustainable manner and make it easy for our customers to make a difference. We pursue these program goals by focusing our efforts across four major areas: environmentally preferable products, recycling, energy and climate, and environmental education. By sourcing and developing more environmentally preferable products, we reduce the ecological impacts of the products we offer and provide more eco-friendly product solutions for our customers. Our recycling efforts increase the usable life of our limited natural resources and provide opportunities for our customers to recycle products (like cell phones or ink cartridges) that they might otherwise discard. Our energy conservation efforts and renewable energy investments help us manage our operating costs and reduce the impact of our operations on air quality and climate change. Educating our associates, customers, suppliers and other stakeholders about our efforts and environmental issues encourages increased dialog and environmental awareness.

Reducing our environmental footprint is not only crucial to protecting the natural world and the ability of future generations to sustain themselves — it also creates operational efficiencies, meets the needs of our customers, sparks new business opportunities and reduces future business risks.

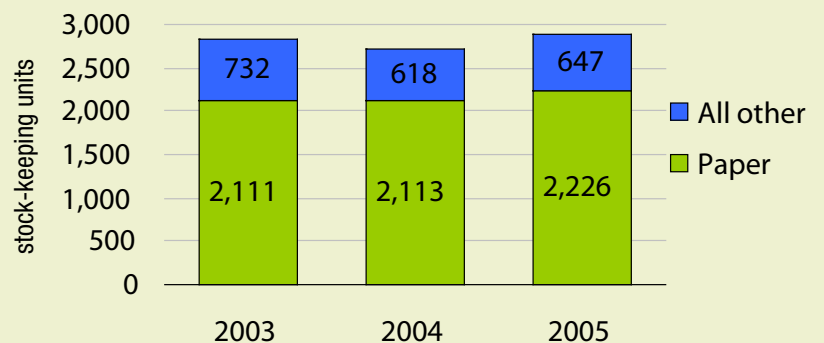
environmentally preferable products

Many of our customers, ranging from individual consumers and small businesses to Fortune 500 companies, seek to purchase environmentally preferable products (EPPs). In fact, a number of the requests for proposals related to office supplies contracts that we receive from large potential business customers include provisions related to EPPs. We strive to make it easy for our customers to find quality office products incorporating 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.

EPPs currently offered at Staples include a large number of paper products with post-consumer recycled content, remanufactured ink and toner cartridges, ENERGY STAR® certified energy-efficient products, furniture with post-consumer recycled content steel, binders and organizers containing post-consumer recycled content plastic and reduced-impact alternative products such as nontoxic cleaners.

By the end of fiscal year 2005, Staples was offering more than 2,800 stock-keeping units (SKUs) containing at least some percentage of post-consumer recycled content. Of these SKUs containing post-consumer recycled content, more than 75% were paper based. Paper has been a major focus of Staples' efforts to date due to the number of products we carry made from paper and the significant environmental impacts of paper production.

active SKUs containing post-consumer recycled content



Across all sales channels in U.S. and Canada as of fiscal year end.

paper

The average office worker in the United States uses approximately 12,000 sheets of copy and printer paper annually, equivalent to more than 120 pounds.⁷ Paper production has major impacts on forest ecosystems and requires large amounts of energy and water. In fact, the pulp and paper industry is the single largest consumer of water used in industrial activities in Organization for Economic Cooperation and Development (OECD) countries, and is the third greatest industrial greenhouse gas emitter, after the chemical and steel industries.⁸



The nonprofit organization Environmental Defense, in their updated Paper Calculator tool, estimates that each and every ton of virgin copy or print paper consumed requires the following resources across the product life cycle (harvest, transportation, production, use and end of life):

- Three tons of wood, equivalent to 24 trees
- More than 41% of the energy used by an average U.S. home in a year
- More than 50% of the greenhouse gas emissions released by the average U.S. automobile annually
- More than 19,000 gallons of wastewater
- More than one ton of solid waste⁹

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. For example, the impact of virgin paper use can be substantially reduced through substitution of post-consumer recycled content paper products. Based on the same Environmental Defense Paper Calculator tool, when compared to one ton of virgin paper, each ton of 30% post-consumer recycled content paper consumes seven fewer trees, uses 13% less energy, emits 11% fewer greenhouse gas emissions, creates 13% less wastewater and reduces solid waste by more than 14%.

While most of our efforts to date have focused on offering more post-consumer recycled content paper products, we are also actively exploring additional opportunities with our paper suppliers to substitute agricultural residues or other nontree fibers for virgin fiber and to source tree fiber from certified forests.

Staples' Environmental Paper Procurement Policy, available at www.staples.com/environment, drives many of our initiatives related to paper based EPPs. This policy was finalized in November 2002 after input from the nonprofit organizations ForestEthics and Dogwood Alliance — who helped us realize the major impact our sourcing decisions could have on forest ecosystems, as well as feedback from many of our paper manufacturers and other stakeholders.

⁷ Estimate from Worldwatch Institute, *Paper Cuts: Recovering the Paper Landscape*, 1999. Available at www.worldwatch.org. Does not include any other paper typically used in the office (cardboard, notebooks, etc.).

⁸ 2001 OECD Environmental Outlook, as cited on the Environmental Paper Network Web site, <http://www.environmentalpaper.org/PAPER-statistics.html>.

⁹ Environmental impact estimates made using the Environmental Defense Paper Calculator as of December 2005. Paper type assumed is uncoated freesheet, the type used to make copy, print, multiuse, laser and notebook papers, among others. National averages were used to generate stated environmental impact. For more information, visit <http://www.papercalculator.org>.

Environmental Paper Procurement Policy Goals

Our Environmental Paper Procurement Policy established three major environmental paper procurement goals against which we are measuring our performance. We also pledged in the policy to take a leadership role in promoting sustainable forestry and paper production and to annually report on our progress toward our goals.

Goal 1: Reduce demand for virgin wood fiber

Specifically:

- Increase to 30% the average amount of post-consumer recycled content and alternative-fiber paper products for sale in U.S. and Canada.
- In our internal operations, use only post-consumer recycled content paper products by the end of 2003.
- Pursue expansion into the range of 50% post-consumer recycled content and/or alternative-fiber paper products available for sale.

Goal 2: Protect endangered forests, including those with high conservation value

Specifically:

- Staples will continue engaging in dialogue with our paper suppliers and environmental leaders on the issue of forests.
- We will monitor the implementation of our Paper Procurement Policy and encourage suppliers to continuously improve the environmental attributes of the paper we offer.

Goal 3: Promote well-managed forests

Specifically:

- We will continue to monitor certification systems to ensure that the systems to which we give preference meet our environmental goals.
- By the end of 2006, Staples will offer only certified paper products or as many such products as possible within the constraints of market conditions, consumer demand and cost factors.

Results to Date: Environmental Paper Procurement Policy Goals

We have successfully expanded the amount of post-consumer recycled content fiber in our paper products over the past several years, both those sold to our customers and those that we use internally. We are working particularly hard to improve the environmental attributes of Staples® brand paper products, since we can often more readily control the sourcing and composition of these products compared to the other brand-name products we offer.

- Among all paper SKUs offered for sale in the U.S. and Canada, approximately 18% contained some percentage of post-consumer recycled content in 2005. We have increased the average post-consumer recycled content by weight of all paper products sold in the U.S. and Canada from 19.7% in 2003 to 29.9% in 2005.
- We used an average of 30% post-consumer recycled content paper in our internal operations in 2005, including paper used by our offices for letterhead, copy paper, envelopes, business cards and direct mailings.¹⁰ This is an increase of 2% since 2003.
- We have increased the average recycled content (post-consumer and de-inked pulp) in all catalogs and circulars from 14% in 2003 to 19% in 2005.

Many of the improvements made to increase post-consumer recycled fiber in our paper products have been made in Staples® brand products. For example, in 2004, the average post-consumer recycled content by weight of all Staples® brand paper products sold was 22%. As of the end of 2005, we had improved this ratio to 31%. Beyond recycled content, we seek to develop and promote Staples® brand paper products containing fiber from certified sustainably managed forests, agricultural residues and other environmentally preferable fiber sources.

¹⁰ This figure does not include paper used for our catalogs and circulars or paper used in our retail store.

post-consumer recycled content attributes of paper products in the United States and Canada



average post-consumer recycled content in internal office paper use

	2003	2004	2005
Internal office operations	27.9%	29.5%	30%

Fiscal year data for the United States only. Does not include paper used for catalogs and circulars or paper used in our retail stores.

paper continued

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 to make it easier for our customers to identify environmentally preferable products. 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 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. We recognize that there is more we could do to highlight EPPs. In the future we plan to better identify and promote EPPs across all channels so it is easier for customers to find and purchase these products.

As part of Staples' commitment to protecting high conservation-value forests and to encouraging sustainable forestry, we require suppliers bidding on large-volume paper products (copy and print paper, multiuse paper, notebook filler paper, etc.) to complete an environmental survey. This survey asks suppliers for specific information related to their forest holdings, including percentage of virgin fiber from noncertified forests; average percentage of fiber certified by type of certification; and specific forest locations where fiber is sourced. The survey also requires specific information for each mill that will be producing the paper products for Staples, including bleaching processes and whether the mill is integrated or not. Finally, Staples also collects general information about the environmental policies and commitments of the overall company. These completed surveys are factored into Staples' paper procurement decision-making process to ensure that our environmental goals are met, along with our needs related to quality, cost, capacity and delivery.

Since April 2003, Staples has been a member of the Paper Working Group (PWG), a group of eleven major companies committed to conserving forests and increasing the availability of environmentally preferable paper products. Organized and facilitated by the nonprofit organization Metafore (www.metafore.org), the PWG is developing methods for evaluating the environmental performance of paper suppliers to help guide sourcing decisions. One of PWG's major projects to date has been the development of a comprehensive, Web-based environmental paper assessment tool (EPAT).

paper continued

The EPAT, which has been in a pilot phase since the fall of 2005, will be launched in 2006. The EPAT allows large paper purchasers to consider the major environmental impacts of specific paper products. It is based on standardized information provided by paper suppliers across a number of key indicators such as energy use, water use, post-consumer recycled content, certified fiber content and others. Paper buyers assign weights to specific indicators based on their priorities, and receive a total environmental score for each product. This environmental score then can be used as part of the purchase decision process, along with quality, price and other factors. We plan to use the EPAT once it is launched as part of our paper-procurement decision-making process. We will supplement the EPAT with additional surveys where necessary to ensure that our information needs are met.

Beyond our involvement in PWG, we are actively engaged with other global stakeholders in the Forests Dialogue, a multidisciplinary group convened through the Global Institute of Sustainable Forestry at Yale University. The Forests Dialogue addresses global sustainability of forests, illegal logging and forest products certification. We are also participating in forest mapping and assessment projects in Indonesia, the Canadian boreal forest and the southeastern United States — in cooperation with a variety of stakeholders — to develop a methodology for identifying high conservation-value forests.

beyond paper

Outside of paper, we continue to pursue other opportunities to incorporate environmental attributes into Staples® brand products, whether through the use of post-consumer recycled content plastic and steel, post-industrial waste fibers, bio-based alternatives or incorporating design for environment principles. We will continue to strive to expand our offering of Staples® brand EPPs across all product lines in the future.



recycling

We make it easy for our customers to recycle by offering free recycling options for ink and toner cartridges and electronic waste (eWaste) such as mobile phones, pagers and PDAs, as well as rechargeable batteries.

We are working to expand the computer recycling events we hold in various parts of the country to offer additional eWaste recycling opportunities to our customers. By diverting these resources from landfills, we are able to remanufacture or properly recycle items that often have remaining useful lives and contain valuable precious metals and/or dangerous heavy metals. Our progress to date in these areas is described in more detail on the following pages.

ink and toner recycling

Staples is proud to offer high-quality remanufactured cartridges that are fully compatible with new cartridges offered by original equipment manufacturers (OEMs) — and typically priced 5% to 15% less than new cartridges from the leading brands. Rather than discarding or recycling a cartridge after only one use, our ink and toner recycling program seeks to “close the loop” by reusing cartridge parts before finally recycling them when their useful life is over. Cartridge parts that are replaced during the remanufacturing phase, and all cartridges that cannot be remanufactured, are processed to recycle the recoverable materials (to produce products such as plastic pallets) and dispose of any nonrecyclable materials in a safe and proper manner. We have a number of programs in place designed to make it easy for our customers to recycle their used cartridges:

Store Drop-Off

Since 2003, customers have been able to bring in their ink and toner cartridges to any Staples store in the U.S. and Canada for recycling. In September of 2005, Staples started offering a \$3 coupon good toward any purchase at Staples for each ink or toner cartridge dropped off for recycling in our U.S. stores, regardless of whether we can remanufacture the cartridge.

Recycle for Education

Launched in 2003, Recycle for Education (www.StaplesRecycleforEd.com) is an ink and toner recycling program designed to benefit local schools across the United States. Interested schools sign up for the program, collect cartridges throughout the year and return them to Staples using our free mailing labels and boxes. In September of 2005, Staples started donating \$3 to participating schools for each eligible cartridge received, tripling the \$1 gift provided to schools in the past.¹¹



Contract Customers

Staples worked throughout 2005 to expand cartridge recycling options for interested contract customers. In the beginning of 2006, we launched a pilot cartridge-recycling program for one of our larger contract customers, with proceeds of the collections benefiting the Boys & Girls Clubs of America. We plan to continue to expand this program to other contract customers in the future.

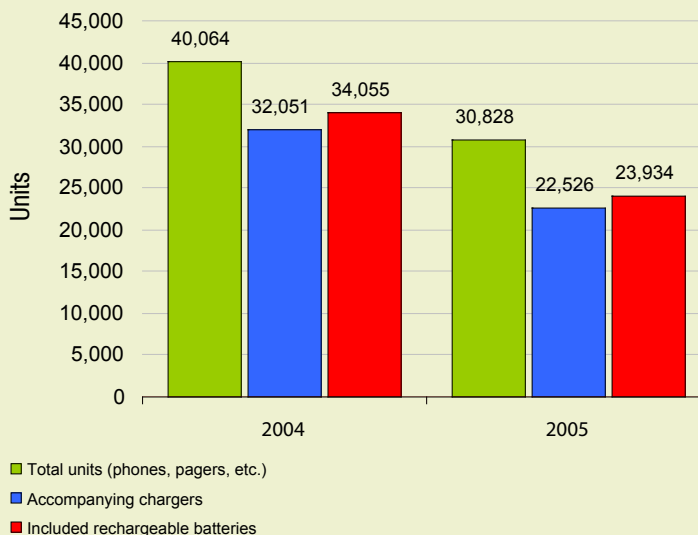
Through our various efforts to collect cartridges for remanufacturing or recycling, Staples has increased ink and toner cartridge returns from slightly more than 530,000 units in 2002 to more than 5 million units in 2005.

¹¹ Eligible cartridges are defined as those that can be remanufactured.

personal electronics

Mobile phones and other small personal electronic devices are a growing electronic waste (eWaste) problem. A National Safety Council report estimates that by 2005, mobile phones will be discarded in the United States at a rate of 130 million annually.¹² Since 2003, we have been offering an easy way for customers to ensure that their obsolete mobile phones, personal digital assistants (PDAs), pagers and digital cameras are either provided to people in developing countries who otherwise would be unable to afford this technology, or properly recycled if remanufacturing is not possible. Our nonprofit recycling and remanufacturing partner, Collective Good (www.collectivegood.org) has remanufactured or recycled more than 65,000 units for us over the past three years. Approximately 50% of the units received are remanufactured, with the proceeds donated to the Sierra Club. In 2005, Staples donated almost \$13,000 to the Sierra Club as a result of our partnership with Collective Good.

personal electronics recycling



The number of chargers accompanying mobile phones, pagers and other personal electronics are estimated based on sample data, as are the number of rechargeable batteries included with the units.

rechargeable batteries

In addition to the rechargeable batteries recycled through our personal electronics alliance with Collective Good, we also offer in-store rechargeable battery recycling for customers through our relationship with the Rechargeable Battery Recycling Corporation. Since 2003 we have recycled more than 5.7 tons of rechargeable batteries through collections in stores across the United States.

computer recycling

The National Safety Council estimated that more than 100 million computers and monitors would become obsolete annually by 2003, along with 20 million televisions. The same report predicted that 19 million computers, monitors and televisions, or roughly 17 percent, would be recycled in 2003. It is unclear how many of these items were actually recycled in 2003, but EPA and other sources estimate that the majority of these obsolete electronics are in storage.¹³

As part of our commitment to methods for reducing eWaste, we have held numerous computer recycling events over the past three years. We are a U.S. EPA Plug-In to eCycling partner, and have worked with EPA and Intel on several pilot computer recycling programs across the United States. In addition, we have partnered with the Take It Back Network for our eCycling programs in King and Snohomish Counties in Washington State. In 2005, we recycled more than 350 tons of computer equipment.

Computer Equipment Recycled for Customers (lb.)

	2004	2005
CPUs, monitors and peripherals	195,000	710,000

¹² National Safety Council, *Electronic Product Recovery and Recycling Baseline Report: Recycling of Selected Electronic Products in the United States*, 1999. As referenced in *Electronic Waste: Observation on the Role of the Federal Government in Encouraging Recycling and Reuse*, U.S. Government Accountability Office, July 2005. GAO-05-937T.

¹³ National Safety Council, *Electronic Product Recovery and Recycling Baseline Report: Recycling of Selected Electronic Products in the United States*, 1999. As referenced in *Electronic Waste: Observation on the Role of the Federal Government in Encouraging Recycling and Reuse*, U.S. Government Accountability Office, July 2005. GAO-05-937T.

internal recycling

Our retail stores in the U.S. recycle cardboard and mixed paper by back hauling these materials to our distribution centers. Our stores bale cardboard on site and then back haul it to our warehouses periodically. Cardboard is also recycled at our distribution, fulfillment and other delivery centers. In fiscal year 2005, Staples recycled more than 20,000 tons of cardboard.

We ask all stores to recycle mixed paper in addition to cardboard, and have an established process for collecting and back hauling mixed paper. However, our mixed paper recycling participation is lower than we would like to see. We are dedicated to improving the recycling of mixed paper from our Copy & Print Centers and thereby helping close the loop on recycled content paper. In 2006, we will be working to improve our internal communication and education on this issue. We also seek to develop returnable recycling containers that are easier for our stores to use.

Other items recycled in the U.S. include plastic shrink-wrap (recycled by our distribution facilities), mixed electronics, obsolete computers formerly used by our associates and fluorescent lighting. In 2005 we recycled more than 95,000 fluorescent lamps from facility relamping activities. We also internally recycled more than 29,000 pounds of mixed electronics and more than 1,900 obsolete CPUs, monitors and other peripherals.

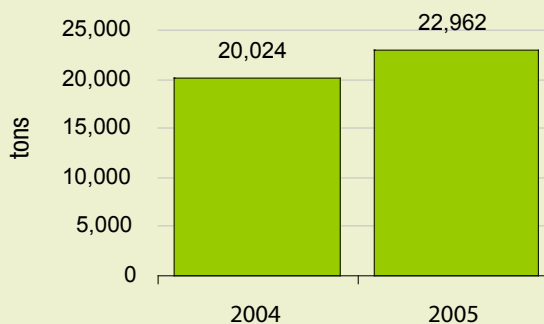
Internal Recycling	2004	2005
Corrugated cardboard (tons)	21,140	20,715
Mixed paper (tons)	357	203
Plastic shrink-wrap (tons)	265	219

Internal recycling data is limited to U.S. operations, and includes information from approximately 95% of retail stores, 70% of our distribution facilities, and our headquarters location. It does not include information from regional or sales offices.

waste

We have estimated our waste generation for our U.S. retail stores and our distribution facilities based on container sizes and frequency of pickup. We have also included waste data for our home office. Our waste generation has increased over time due to increases in the number of retail stores and other facilities we manage.

waste — U.S. operations



Internal waste data is limited to U.S. operations, and includes information from approximately 95% of retail stores, 70% of our distribution facilities, and our headquarters location. It does not include information from regional or sales offices.

energy and climate

By the end of fiscal year 2005, Staples was operating 1,260 retail stores in the United States and 1,780 globally. In addition, we are operating hundreds of distribution centers, fulfillment centers, regional offices and service delivery operations globally that support our retail, Internet and contract customers. Finally, Staples runs its own delivery fleet to meet part of our supply chain transportation needs. All of these operations consume a large amount of energy; our total energy use in 2005 in the United States was 2.88 million mmBtu, or 3.03 million gigajoules (GJ).



Currently, Staples only has reliable energy consumption data for its U.S. operations. We hope to have reliable energy data based on utility bills for our Canadian operations by the end of 2006. We plan to expand our energy management and tracking into Europe and globally over the next several years. Until our data collection systems are updated to include our Canadian and other international operations, we will only report on energy consumption and greenhouse gas emissions for our U.S. operations.

Staples is aggressively pursuing energy conservation efforts throughout our business as a method to reduce our operating costs and the environmental impact of our operations. We are committed to reducing the effects of our energy use on climate through an integrated approach including conservation, the adoption of renewable energy technologies where financially viable and the purchase of certified renewable-energy certificates. Renewable-energy certificates (RECs) represent the environmental attributes of the electricity produced by specific renewable-energy projects that are sold separately from the electricity generated by those projects. RECs enable anyone in the country to “green” a portion of their electricity, regardless of their location, and support renewable energy development.

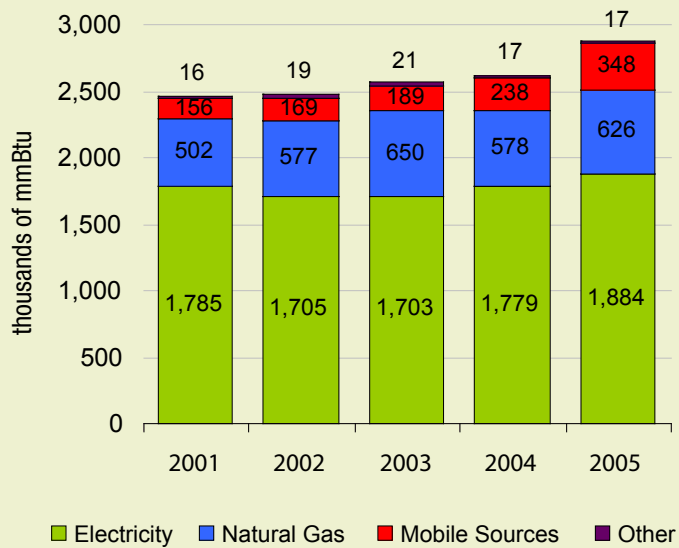
total energy use

Staples tracks the majority of its energy uses through an energy-management system database that compiles consumption and billing data directly from utility bills. Since we actively work to submeter our locations, more than 97% of our electricity data is contained in this system. More than 90% of our natural gas information is integrated into our energy-management system. Staples tracks our fleet mileage and uses average fuel economy figures to estimate fuel consumption annually. Finally, we also measure or estimate energy use for propane use, backup diesel generators, a time-share interest in a corporate jet and steam use at a few locations.

Our total energy use across all operations in the United States — including all of the above sources — increased by 17% from 2001 to 2005 due to the growth of our business and the addition of hundreds of retail and nonretail properties. However, despite the overall increase in energy use, our total energy use (including that from our fleet) per square foot across all properties decreased by nearly 5% from 2001 to 2005.

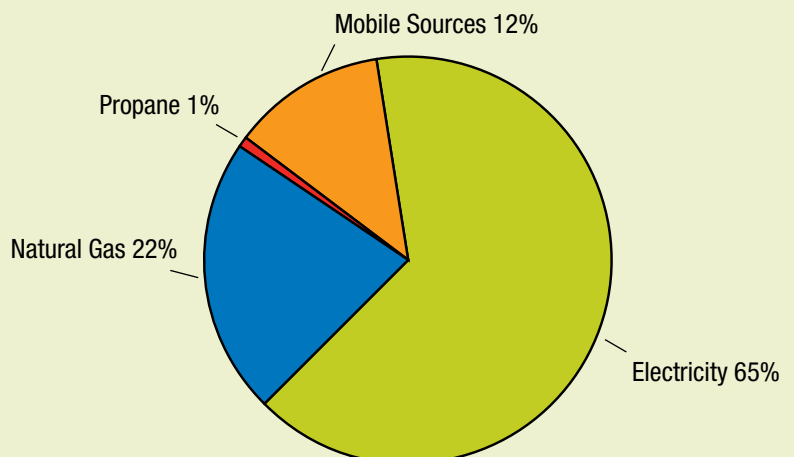
Our improvements in energy efficiency are due to the aggressive measures we are taking to conserve energy across our operations; including retrofitting lighting in our stores to use the most energy-efficient lamps and ballasts, installing efficient HVAC systems and using our energy management system to remotely monitor and control HVAC systems, installing motion-controlled lighting and conveyor systems in our distribution facilities, and incorporating more energy-efficient designs into our buildings.

total energy use



Fiscal year data for U.S. operations, including measured and estimated use. Other energy is primarily the use of propane, but also includes the use of diesel in backup generators and steam. 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)

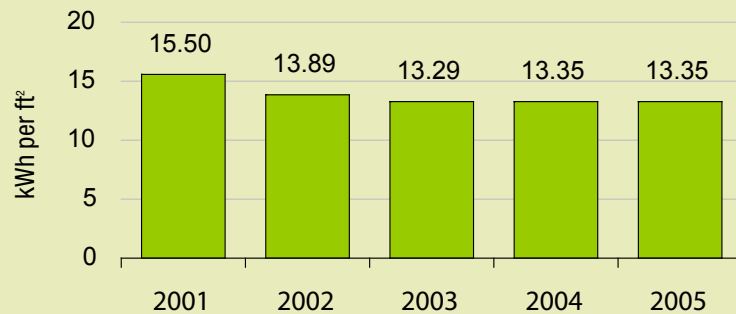
2005 energy use by type



electricity

While total electricity use increased more than 5% from 2001 to the end of fiscal year 2005, we reduced our electricity use per square foot across all properties by almost 14% from 2001 to 2005. This electricity savings occurred despite increases in our store electricity use from the launch of our Copy & Print Centers over the past several years. Much of the improvements in our electricity use per square foot have come from lighting retrofits and improvements in HVAC operation and efficiency.

electricity use per square foot



natural gas and propane

Staples facilities use natural gas and propane for heating, with propane typically used in those areas where natural gas is not available. Although total natural gas use increased by more than 24% from 2001 to 2005, our use of natural gas per square foot across all properties increased by less than 2% over that same time period. For propane, overall usage remained relatively flat from 2001 to 2005, with just a small increase of less than 1% over that time period.

fleet fuel use

The fleet of vehicles operated by Staples is entirely leased and consists almost entirely of diesel trucks, with a few gasoline trucks operating in Atlanta. As our Staples Business Delivery® business unit has continued to grow, so has the mileage traveled by our fleet and our fleet's fuel consumption. From 2001 to 2005, our estimated fleet fuel use increased by more than 120%. Estimated energy use for our delivery fleet in 2005 was approximately 345,000 mmBtu.

To improve our fuel efficiency and minimize emissions, Staples has been:

- Enforcing a no-idling policy at all times, which serves to reduce fuel use, emissions and costs.
- Piloting route optimization software in select markets.
- Periodically reviewing specifications with our leasing partners with regard to new technology and other items that serve to improve the fuel efficiency of our leased trucks, while meeting our delivery needs.
- Encouraging our contract customers to combine orders and establish minimum order amounts, which reduce our fleet fuel use, emissions and cost of delivery.



renewable energy

Renewable energy technologies offer opportunities for Staples to reduce the environmental impact of our energy consumption and to invest in energy technologies that offer a hedge against future price volatility, increases in fuel costs, peak demand charges and transmission and distribution charges. Our membership in the World Resources Institute's Green Power Market Development Group (www.thegreenpowergroup.org) has been instrumental in our efforts to learn more about the renewable energy field and the opportunities to incorporate renewable technologies into our operations. The group is currently composed of 12 large companies committed to expanding the development and availability of commercial cost-competitive renewable energy in the near term.

In 2005, Staples was ranked fourth out of the Top 10 Retailers purchasing green power through the U.S. EPA's Green Power Partnership. Through our purchases of certified Renewable Energy Certificates (RECs), we were able to "green" over 53 million kilowatt-hours of electricity in 2005, or approximately 10% of our total electricity use in the United States. Our purchases of RECs from 2003 to 2005 offset the equivalent of more than 95,000 metric tons of carbon dioxide equivalent (mtCO₂e).

We recently installed two 280kW solar arrays on two distribution centers in California (Rialto and Ontario) and one 120kW system on our Staples Contract home office in Englewood, New Jersey. We expect these systems to generate enough electricity to power the equivalent of approximately more than 90 homes in the United States annually.

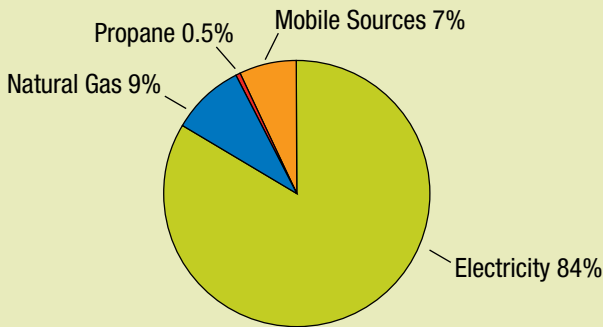
greenhouse gas emissions

As a partner in the U.S. Environmental Protection Agency's Climate Leaders program (www.epa.gov/climateleaders), Staples has committed to reduce our greenhouse gas emissions by 7% on an absolute basis from 2001 to 2010. We are tracking our greenhouse gas (GHG) emissions using the U.S. EPA's Climate Leaders Protocol, which is primarily based on the Greenhouse Gas Protocol Corporate Standard (revised edition), created by the World Resources Institute and the World Business Council for Sustainable Development.

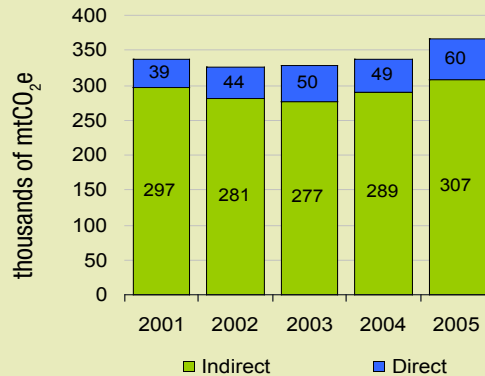
Through energy conservation, the purchase of certified RECs, and the installation of on-site renewable energy technologies, we have reduced our emissions by almost 5% from fiscal year 2001 to 2005, despite the fact that our total energy use increased 17% over this same time period. In 2005, approximately 84% of our total GHG emissions were from the use of electricity. Through the purchase of certified RECs from landfill gas and wind energy projects, we offset the environmental impacts of more than 53 megawatt-hours of conventional electricity with renewably generated electricity, resulting in a savings more than 46,000 metric tons of carbon dioxide equivalents (mtCO₂e) in 2005. Since 2001, we have decreased our net GHG emissions per square foot across all properties by more than 22%.



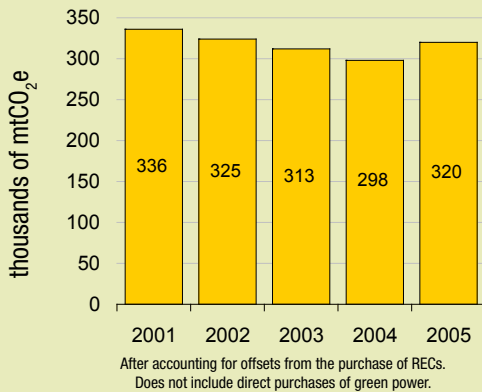
2005 contribution of energy source to greenhouse gas emissions



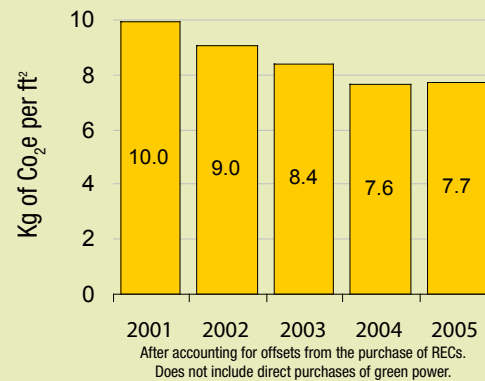
total greenhouse gas emissions, not including offsets



greenhouse gas emissions, net of offsets



net GHG emissions per square foot



Business Travel

We recognize that the air travel of our associates affects the use of fossil fuels and the climate. Due to our increased growth as a company, from 2003 to 2005 our air travel increased from 16.8 million miles traveled to 22.8 million miles traveled. That translates to an increase in greenhouse gas emissions from approximately 3,400 mtCO₂e in 2003 to more than 4,500 mtCO₂e in 2005.

Third-Party Transportation Carriers

Staples relies on a variety of third-party carriers to ship our products across the country. We do not track fuel use and emissions associated with these carriers. However, we are working to better understand the fuel use and climate impact associated with our supply chain transportation partners so that we can take action to reduce this impact. While we don't have direct control over these transportation partners, we recognize that we can have a positive impact on our supply chain through actively encouraging aggressive fuel-conservation measures. We believe that action on our part can lead to enhanced or new partnerships, which will result in fuel cost savings as well as environmental benefits.

environmental education

Staples believes in helping our customers run their businesses and live in a more sustainable manner. Our goal is to make it easy for our customers to make a difference through their interactions with Staples. Whether providing environmentally preferable products, making recycling easy or providing customers with useful environmental information, we strive to increase environmental awareness.



- We help sponsor the resource tool Earth 911 Business (www.earth911business.com) 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 across the United States.
- In 2005, Staples was a national sponsor of America Recycles Day (www.AmericaRecyclesDay.org) for the fourth consecutive year, helping to raise awareness of how Americans can protect natural resources through recycling and buying recycled content products.
- We provide information to our associates, customers and other stakeholders through our annual reporting and Web site to keep them up to date on our progress. In 2006, we created a new Web site for our corporate responsibility information at www.staples.com/soul.
- In 2005, we embedded an environmental reporting tool into the systems used by account managers serving our contract customers, enabling customers to receive reports describing the environmental characteristics and effects of their purchases over time.

community



Through Staples Foundation for Learning® and other charitable endeavors, Staples distributes resources to nonprofit organizations in the communities where our customers and associates live and work. The organizations we support help provide educational opportunities and job-training assistance for all people, with a special emphasis on disadvantaged youth. Our community-giving programs help create stronger, healthier communities by providing participants with the skills and experiences they need to more fully engage in and benefit from society.

Staples Charitable Contributions	2004	2005
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

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.

staples foundation for learning

The mission of Staples Foundation for Learning® is to support nonprofit organizations that provide job skills and educational opportunities for all people, with a special emphasis on disadvantaged youth. The foundation began in August 2002 as a formal vehicle for Staples' community giving. To date, the foundation has awarded \$6 million in grants to 302 nonprofit organizations in 169 communities across the United States.



Each year, Staples stores in Cincinnati raise funds to support Crayons to Computers, a free school supply store for Cincinnati-area teachers who serve the educational and creative needs of disadvantaged children.

One example of an educational organization that Staples Foundation for Learning has supported over the past three years is Crayons to Computers in Cincinnati, Ohio, to which the foundation awarded a third grant in 2005. Crayons to Computers serves the educational and creative needs of children in the Greater Cincinnati area by providing a unique means to transfer free donated merchandise from businesses and individuals to teachers for use in their classrooms and schools. The foundation has supported Crayons to Computers' Push for Pencils, an annual back to school supply drive creating community awareness that all children deserve a chance to be prepared for school with adequate tools for learning. In addition to the foundation grants, each Staples® store throughout Cincinnati participates in an annual fundraising effort for Push for Pencils, giving more teachers the opportunity to obtain free supplies for their students.



Staples Foundation for Learning and Boys & Girls Clubs of America's partnership enables disadvantaged youth to reach their full potential.

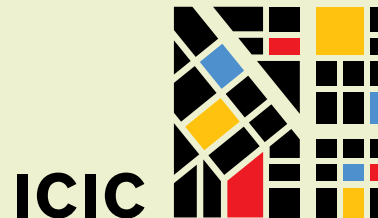
national grants

Since 2002, Staples Foundation for Learning® has been a national supporter of Boys & Girls Clubs of America, (BGCA) an organization that provides a safe and structured environment for children after school. In 2003, the foundation began its funding of Boys & Girls Clubs of America's Torch Clubs program, through a 3-year, \$2.5 million grant. In addition to helping build character and leadership skills in preteens, Torch Clubs promote positive self-esteem and personal growth, reinforce academic achievement and encourage children to develop into conscientious citizens.

Partnership accomplishments include:

- Served nearly 12,800 youths in more than 1,166 Torch Clubs throughout the United States and in U.S. military bases around the world
- Launched Torch Clubs to the first national BGCA program to exceed the 1,000th chartered group mark
- Enabled Torch Clubs to become the most highly requested national BGCA program
- Provided professional development opportunities to Torch Club staff to expand their skills set and provide youth with more comprehensive services

The Foundation also has national partnerships with nonprofit organizations focused on the areas of diversity, the environment and Hispanic youth.



Initiative for a Competitive Inner City

Staples Foundation for Learning's diversity partner is Initiative for a Competitive Inner City, which works with inner-city businesses to develop resources, jobs and wealth generation for inner-city residents. The Foundation supports the Inner City 100 program, an annual list of the fastest growing inner-city companies in America highlighted annually in *Inc.* magazine. ICIC finds, celebrates and supports diverse, successful businesses that make positive impacts on their communities.

Partnership accomplishments include:

- Encouraged Staples small business customers to apply for the Inner City 100 list, resulting in significant increase in nominations from growing inner-city small businesses
- Heightened awareness of the economic viability of America's inner cities by distributing information to the media about the 2005 Inner City 100 Summit and Awards Dinner and promoting Staples' involvement with ICIC
- Enabled ICIC to perform in-depth research on financing and capitalization issues faced by Inner City 100 companies to help better understand how and where companies choose to locate
- Supported a best business practices white paper examining the success and key learnings of minority and women-owned businesses named to the Inner City 100 list
- Presented Minority Business of the Year Award to the Pistons Group at the 2005 Inner City 100 Award Dinner

national grants continued

Earth Force, the Foundation's environmental partner, is an organization that works to get young people learning about and caring for their communities and environment, while developing life-long skills of active citizenship and environmental stewardship.



The Foundation supports the Global Rivers Environmental Education Network (GREEN) and Community Action and Problem Solving (CAPS) programs in Charleston, SC, Philadelphia, PA, Tampa, FL, Washington DC, and Chicago, IL.

Partnership accomplishments include:

- Grew the GREEN and CAPS programs in Charleston, SC, Tampa, FL, and Washington DC; and extended the partnership to include Tinley Park in Chicago
- Created a partnership with the Tinley Park Staples store, which adopted Earth Force and enabled associates to participate in a water-monitoring event at a local middle school
- Provided 46 educators and more than 1,100 students throughout Charleston, Philadelphia, Tampa, Washington DC, and Tinley Park with specialized environmental education, and participated in outdoor conservation projects
- Upon completion of the Earth Force curriculum, 81% of participating students had a better understanding of environmental issues, 79% believed they increased their civic skills needed to bring about change in the community, and 78% felt their Earth Force experience makes them more passionate about citizenship



Staples associates present LINC TELACU students with school supplies to ensure they begin college with the tools necessary for success.

The Foundation supports Hispanic youth through its partnership with the LINC TELACU Education Foundation, which works to increase the number of Latinos attending college, encourages academic success, and develops socially responsible community leaders. The Foundation supports the College Advisement & Leadership Program (CALP), which provides educational assistance, leadership-training seminars, and job preparation classes to Latino students in the Los Angeles and Chicago areas who receive a LINC TELACU Education Foundation scholarship. The program ensures that after CALP students enter college, they stay motivated and continue to succeed in school and develop career goals.



Partnership accomplishments include:

- Grew CALP program in Los Angeles and extended the partnership to include Chicago
- Increased program resources and offerings available to students to impact greater numbers of Hispanic youth, and support their entry into college
- Provided CALP students with career preparation classes in résumé writing, interviewing skills, and development of career objectives to help graduating LINC scholars successfully transition from college to work
- Provided each CALP student with leadership development opportunities through community service projects designed to instill a sense of community to improve their success beyond the classroom



Doreen Nichols, Director of Associate Relations and Diversity for Staples, presents the Minority Business of the Year Award at the Initiative for a Competitive Inner City Annual Celebration.

cause-related programs

Staples supports Boys & Girls Clubs of America through an annual back to school cause-marketing program called Supplies for School Kids. Through this program, 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 over \$2 million in school supplies to Boys & Girls Club youths.

Staples also sells Easy Buttons™ in stores, with 100% of all proceeds — up to \$2 million through the end of fiscal year 2006 — going to Boys & Girls Clubs of America. This program helps support our investment in Boys & Girls Clubs of America.



in-kind support

Since 2004, Staples has donated over \$7.3 million worth of office products to help outfit nonprofit organizations in communities throughout the United States. In Staples stores, managers develop relationships with local charities and donate product on a periodic basis to help fulfill their needs. In addition, Staples Distribution and Fulfillment Centers provide organizations such as SHOPA Kids in Need Resource Centers and Crayons to Computers with much-needed supplies.



Staples associates present members of the Franklin Teen Learning Center Boys & Girls Club in Franklin, TN with a donation of nearly \$4,000 in school supplies that were raised through the store's Supplies for School Kids program

associate involvement

Staples encourages associates to get involved with nonprofit organizations in their local community. The company connects associates interested in giving back with local organizations that have volunteer opportunities matching their personal interests. Staples also teams up associates with their local Boys & Girls Club to enable them to work with these children on a personal level, and to enhance Staples' and Staples Foundation for Learning's national collaboration with Boys & Girls Clubs of America.

Associate involvement was an important component of Staples' entry into the Chicago market in 2005. Staples developed an in-depth community program where each store adopted a local charity and forged an ongoing relationship between associates and the community. Stores participated in "acts of kindness," where associates surprised their adopted charity with a community service project. For example, the Staples store in Mundelein, IL, surprised its charity, OMNI Youth Services, by making over a tutoring room in its Mundelein Resource Center, which offers educational and support services to children of low income, primarily non-English-speaking families. Associates spent an afternoon repainting and stocking the tutoring room with new school supplies, ensuring that youth served through the Resource Center work in a clean, healthy environment and have the tools needed for success.

Staples associates work hard to ensure Supplies for School Kids, which provides much-needed school supplies to Boys & Girls Club members, makes a positive impact on youth.

disaster support

Staples recognizes the importance of helping those in need when disaster strikes. In 2005, to support victims of Hurricane Katrina, Staples worked with nonprofit organizations and government agencies throughout the country to provide school supplies and educational materials for displaced students and devastated schools. In addition, when a tragedy occurs, Staples provides its associates and customers in affected areas with supplies and assistance to help them rebuild their lives.

staples business depot in the community

Staples Business Depot™ is committed to building a stronger, more caring community through various programs throughout Canada. Staples Business Depot has been a proud National Sponsor of Special Olympics Canada since 1996, providing financial and in-kind support to help fund training programs in every province and territory across Canada. In addition, each year customers are invited to Staples Business Depot to help support Special Olympics Canada athletes through the “Give a Dollar. Share a Dream.” program. By giving a donation, customers can help send athletes to the Special Olympics National and World Games. Over the last four years, more than two million dollars has been raised through the “Give a Dollar. Share a Dream.” program.

Each year, Staples Business Depot organizes the National Writing Challenge to promote children’s literacy and raise money for Canadian schools. Each winner’s story is published in the annual Staples Business Depot short story book, which is sold in stores for a limited time each year. Staples Business Depot donates all of the net proceeds from the sale of the book to Canadian schools.

In addition, Staples Business Depot uses store community involvement funds to help meet the needs of hundreds of Canadian community, regional, and national projects and organizations every year. From sports tournaments to educational programs, Staples Business Depot stores are committed to supporting organizations within their local communities.



that was easy.®

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.