

Sustainability Report 2023

Michaels®

Table of Contents

03

Our Company

04 CEO Letter
05 About Michaels
06 Michaels by the Numbers

07

Sustainability Approach

08 Sustainability Highlights
08 Stakeholder Engagement
08 Sustainability Recognition

09

Environmental Sustainability

10 Environmental Policy
10 Climate
11 Emissions & Energy
12 Waste Reduction & Diversion

13 Hazardous Waste

14

Social Responsibility

15 Our Culture
17 Employee Engagement
22 Team Member Health,
Well-Being & Benefits

23 Inclusion & Diversity
25 Workplace Safety
26 Community Engagement
& Support

27 Products & Customer
Satisfaction

28

Dependable Governance

29 Supply Chain Governance
31 Corporate Sustainability Oversight
32 Policies

32 Business Continuity &
Crisis Management
33 Board Summary
34 Ethics & Compliance

35 Data Privacy & Security

36

About This Report

36 Report Scope
36 Contact Information

Our Company

04

CEO Letter

05

About *Michaels*

06

Michaels **by the Numbers**



A letter from our Chief Executive Officer

As Michaels continues to evolve, I am incredibly proud to lead this iconic brand into its next phase of growth, working alongside our more than 35,000 best-in-class Team Members to deliver on our purpose to fuel the joy of creativity.

As the largest arts and crafts omnichannel retailer in North America, we continue to expand our brick-and-mortar footprint. Today we operate over 1,330 stores in 49 states and Canada, and online at Michaels.com and Michaels.ca. In fact, more than 73% of Americans and 70% of Canadians live within 10 miles of a Michaels, further establishing us as the leading creative destination.

Our corporate sustainability program is a natural progression of the core values that guide our Company each day:

We put people first

We do the right thing

We're always improving our craft

We hold ourselves accountable

We're better together

At Michaels, we believe in creativity for all; everyone has a seat at our craft table. We strive to inspire our customers, cultivate confident Team Members, and serve our communities by providing opportunities for everyone to learn, express themselves, and create.

We are proud to release this report, giving us the opportunity to spotlight the progress we've made on our corporate sustainability journey.

Thank you for your continued support and interest in Michaels, and for taking the time to explore this report. We look forward to keeping you updated on our commitment to making Michaels the best place for all things creative.

- Ashley Buchanan, CEO

About Michaels

For more than 50 years, Michaels has been the best place for all things creative. We strive to inspire our customers, cultivate confident leaders, and serve our communities by fostering an inclusive environment for everyone to learn, shop, and create.

At Michaels, everyone has a seat at our craft table, and every Team Member is encouraged to hone their craft with opportunities for personal and professional growth. From our Stores and Distribution Centers to Artistree and our Support Center, our best-in-class team is committed to delivering on our purpose to fuel the joy of creativity.

As the leading creative destination in North America, we operate over 1,330 stores in 49 states and Canada and online at Michaels.com and Michaels.ca. The Michaels Companies, Inc. also owns Artistree, a manufacturer of custom and specialty framing merchandise, and MakerPlace by Michaels, a dedicated handmade goods marketplace.

Founded in 1973 and headquartered in Irving, Texas, our more than 35,000 full-time and part-time Team Members live by these values:

We put people first

We do the right thing

We're always improving our craft

We hold ourselves accountable

We're better together



Michael's[®] by the Numbers

STORES

In North America, we operate over 1,330 stores in 49 states and Canada, in addition to our eight distribution centers, three support centers, and five Artistree manufacturing facilities. We also operate three support center locations in Asia.

BUSINESS SEGMENTS | SUBSIDIARIES | BRANDS

Digital Platforms

- Michaels.com
- MichaelsCustomFraming.com
- Canada.Michaels.com
- MichaelsPhotoGifts.com
- Enterprise.Michaels.com
- Education.Michaels.com

Other Divisions

- Artistree
- MakerPlace by Michaels
- MichaelsPRO

10,490 Full-time

25,316 Part-time

7,802 Seasonal

Sustainability Approach

08

Sustainability Highlights

08

Stakeholder Engagement

08

Sustainability Recognition

Sustainability Approach

SUSTAINABILITY STRATEGY

Guided by our corporate values, we focus our sustainability strategy on three key areas:

- Minimize our impact on the environment
- Support our Team Members and our customer communities
- Operate our business ethically and responsibly

SUSTAINABILITY HIGHLIGHTS

We are proud to share these key highlights:

- Used high-efficiency LED lighting in 99% of locations
- Consumed 2.5 million kWh of renewable energy in 2023
- Recycled 42.6% of total non-hazardous waste, amounting to 29,850 tons of material
- Assisted Team Members with over \$3.5 million in grants through Michaels Cares since 2005
- Received ENERGY STAR® certification at 21 additional store locations in 2023

STAKEHOLDER ENGAGEMENT

Stakeholder Group	Engagement
Team Members	Employee engagement surveys, town halls, newsletters
Customers	Voice of the Customer, customer feedback channels
Suppliers	Regular performance audits and Social Accountability audits
Trade Organizations	Active engagement with RILA Committees

SUSTAINABILITY RECOGNITION

2022

- ENERGY STAR® Partner
- ENERGY STAR® Premier Member



2023

- ENERGY STAR® Partner
- U.S. Department of Labor HIRE Vets Gold Medallion Award



Environmental Sustainability

We believe in the value of environmentally sound business practices throughout our operations. Michaels has long pursued initiatives that are good for the environment and our profitability.

10

Environmental Policy

10

Climate

11

Emissions & Energy

12

Waste Reduction & Diversion

13

Hazardous Waste



Environmental Sustainability

ENVIRONMENTAL POLICY

Our Energy and Environment Policy outlines our sustainable business practices and includes the following principles:

- Comply with applicable environmental laws and regulations
- Improve energy efficiency by utilizing renewable energy sources and monitoring energy consumption
- Monitor the progress of our efforts through the collection of key data
- Explore opportunities to generate less waste and consume fewer natural resources
- Work with vendors to improve efficiency, decrease resource usage, and mitigate climate-related risks
- Take actions that encourage customers and Team Members to recycle

CLIMATE

We acknowledge the risks that climate change could present to our business operations. Our enterprise risk management and emergency response teams work to identify and track risks and are responsible for mitigating disruptions to business operations during weather-related events. To mitigate these risks, we have diversified our vendor base and partnered with suppliers worldwide. As climate-related events increase and become more common, we will continue to improve our climate mitigation processes and partnerships.

We acknowledge that our operations' greenhouse gas emissions (GHG) contribute to the climate change challenge. As a result, we are working to reduce our company's climate impact and encourage a more sustainable economy.

Emissions & Energy

ENERGY REDUCTION STRATEGY

When considering a reduction strategy, we look to the largest areas first: Our locations and our Team Members. A large percentage of our stores are leased, so we focus our efforts on reducing Scope 2 emissions (purchased electricity, heat, and steam). We have implemented a number of features in our facilities to further reduce our footprint and cost, with a focus on our HVAC systems and lighting usage. These features include:

- Installation of Variable Frequency Drives on over 6,000 HVAC units to reduce energy consumption
- Replacement of lighting in 99% of our sites with high-efficiency LED lighting
- Any new HVAC units installed are high-efficiency units
- Over 3,000 HVAC units are using outside air to cool the building when outside temperatures are below 60°F
- Light-dimming strategies are being implemented in 19 stores More than 750 locations have solar tint installed on windows to reduce heat transfer into the stores
- Procedures in place to reduce wasteful hauling by measuring compactor fullness before pick-up
- 500+ stores included camera technology in dumpsters to optimize pick-up schedules, reducing hauls as well as preventing recyclable material from going into landfills

We are currently evaluating our Scope 3 emissions sources. In an effort to reduce our employee commuting emissions, Michaels offers flexible work schedules to allow some Team Members to commute less often or during less traffic-heavy times to reduce commute times and emissions.

ENERGY STAR® PARTNER

At Michaels, our commitment to fueling the joy of creativity extends beyond the products lining our shelves. Fostering creativity means ensuring a sustainable future for generations to come. That's why as both an ENERGY STAR® partner and Premier Member, we're continuing to invest in our journey toward sustainability and innovation.

We began working toward building certifications in 2022 to validate our efforts to reduce both our carbon footprint and operational expenses. In our first year, Michaels achieved ENERGY STAR® certification in 15 of our Stores. Building on this success, we expanded our efforts in 2023 to certify an additional 21 buildings.

Partnering with ENERGY STAR® not only validates our sustainability efforts but also provides us with practical ways to further enhance our energy management strategies. From design and construction to operations, utilities, and renewables, ENERGY STAR® offers a comprehensive approach that aligns seamlessly with our corporate sustainability strategy and enables us to reduce our energy costs.

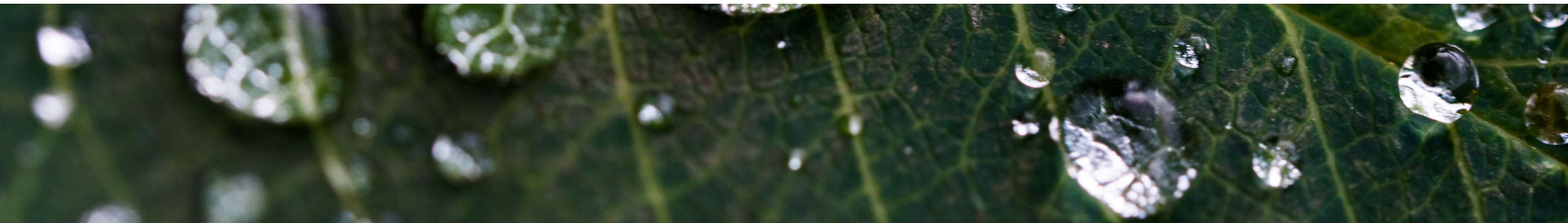


ENERGY MANAGEMENT SYSTEM

We operate an Energy Management System (EMS) from our Support Center in Irving, Texas that controls when and how much electricity is used by our retail stores. Our buildings are EMS-enabled to control lighting, HVAC, and plug load. We have an estimated 14% reduction in kWh usage when using an EMS.

RENEWABLE ENERGY

While reducing the amount of total energy consumed is a key component of our environmental sustainability program, we recognize that utilizing renewable energy where possible is another crucial step in reducing our carbon footprint. We currently have twelve stores powered by solar energy, as well as two facilities in New Jersey and California where we have worked with the landlord to install solar panels and participate in a solar power purchase agreement. We have more stores and distribution centers which we are in the process of shifting to solar power, and we will continue to research and seek renewable energy sources and partners to integrate across our ecosystem. Thanks to these efforts, we consumed approximately 2.5 million kWh of solar energy in 2023.



Waste Reduction & Diversion

As a company selling arts and crafts materials, we produce waste that contributes to our environmental impact. Our programs tackle this in three ways:

- Reducing the amount of waste sent to landfills
- Recycling where possible
- Properly handling all hazardous waste

Recycling is a key component of our environmental sustainability program and, as a result, we have initiated cardboard recycling programs in our stores and distribution centers. Cardboard is compacted by a baler or compactor for recycling at approximately 97% of our stores and 100% of our distribution centers.

We minimize packaging and utilize environmentally friendly materials and Fair Trade Certified™ packaging when possible.

We engage leading waste management partners to support us in these efforts. To encourage recycling by our customers, we fund participation in the Multi-Material Blue Box Recycling Programs across Canada. Our stewardship program also includes participation in the Household Hazardous Waste

Programs across Canada, and the Electronic Products Programs in Quebec, British Columbia, and Saskatchewan. We also partner with Iron Mountain to shred and recycle paper at our locations in the United States and Canada as a way to reduce the amount of paper waste we send to landfills. These efforts equate to positive impacts on the planet, including:

- Over 14,000 trees preserved ¹
- More than 1.1 million gallons of water saved ¹
- Avoided more than 2,754 MTCO₂ emissions
- 46,780 pounds of solid waste avoided
- Conserved more than 1.7 million kWh of electricity

In 2010, we began working toward improving our overall yield from each stick of moulding we used in custom framing as a way to reduce costs. Once we discovered the impact we could make we also began working toward reducing our overall waste from custom framing by looking at how we could improve the yield from our matboard and acrylic as well.

We took the following steps to reduce our total waste in custom framing:

- We set new and improved quality standards to ensure less poor-quality product is discarded
- We implemented better cutting practices and technology to ensure we are getting the most material from each piece
- We improved training and awareness campaigns for Team Members on materials waste reduction

Through these efforts, we were able to reduce waste relative to our baseline numbers by:

- Since 2010, moulding waste has been reduced by 70%
- Since 2013, matboard waste has been reduced by 61%
- Since 2015, acrylic waste has been reduced by 76%

We continue to explore new opportunities and partnerships to reduce, reuse, and recycle waste.

¹Iron Mountain® using calculations by Paper Calculator

Hazardous Waste

At Michaels, we recognize some of our products hold inherent environmental risks if not disposed of properly. Items such as aerosols, oils, solvents, and e-waste must be handled in accordance with environmental compliance standards. We partner with leading hazardous waste disposal companies CleanEarth™ and GFL Environmental Services, Inc. to provide a responsible way for Team Members to ensure that hazardous waste is disposed of appropriately. The majority of our hazardous material waste is recycled or used to produce energy.

DATA

We reduce truck hauls and overall mileage while minimizing emissions from waste removal; and we recycled approximately 42.6% of our non-hazardous waste in 2023, amounting to 29,850 tons of material.

NON-HAZARDOUS
WASTE RECYCLED

2021	2022	2023
30,844 tons	32,143 tons	29,850 tons

HAZARDOUS WASTE
DIVERTED FROM LANDFILLS

2021	2022	2023
46,638 lbs	55,980 lbs	66,170 lbs

Social Responsibility

15

Our Culture

17

Employee Engagement

22

Team Member Health, Well-Being & Benefits

23

Inclusion & Diversity

25

Workplace Safety

26

Community Engagement & Support

27

Products & Customer Satisfaction

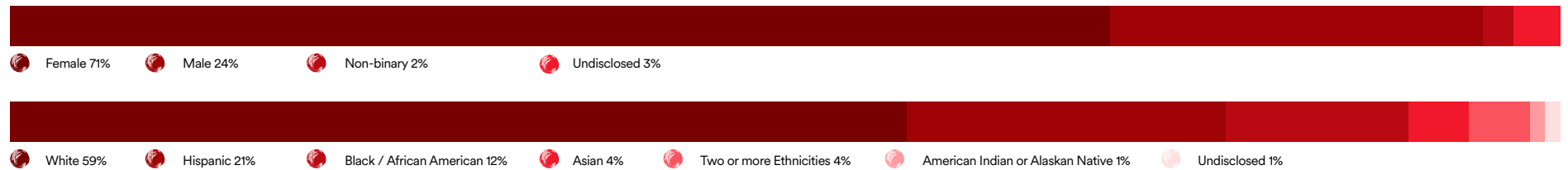
Our Culture

People are the true heart of our business. We believe that when we take care of our Team Members, positive results and customers will follow. We maintain our core values of always putting people first, doing the right thing, improving our craft, holding ourselves accountable, and knowing we are better together.

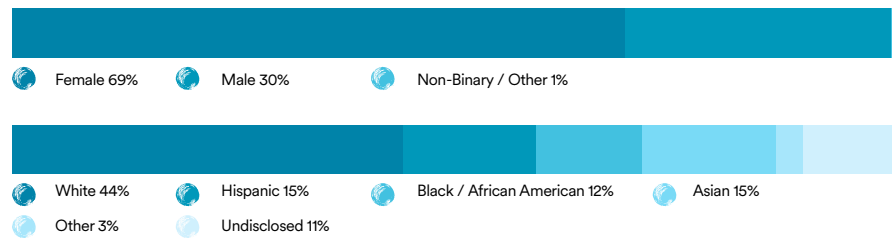


Team Member Demographics

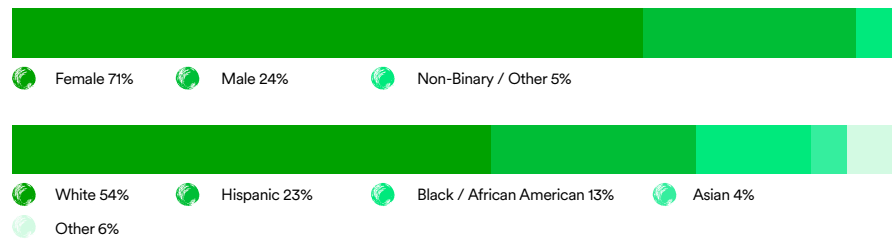
TOTAL WORKFORCE



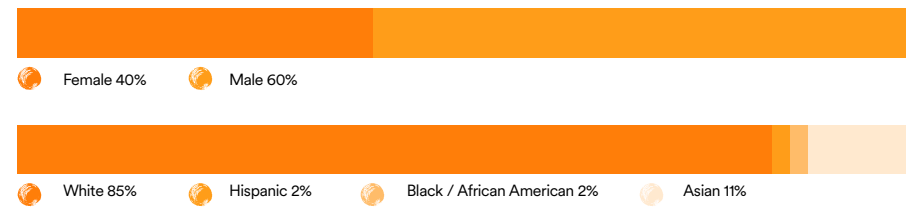
INDIVIDUAL CONTRIBUTORS



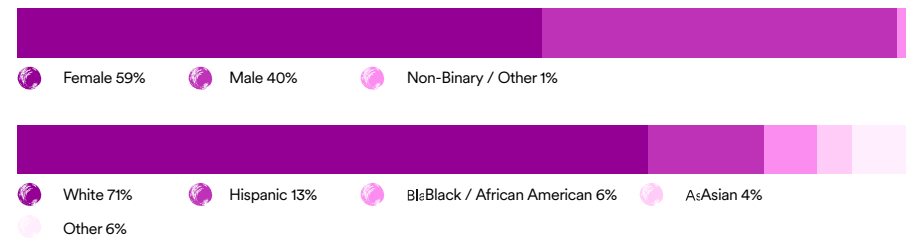
HOURLY



EXECUTIVES



PEOPLE LEADERS





Employee Engagement

EMPLOYEE ENGAGEMENT SURVEY

We are passionate about engaging and connecting with our Team Members, and we recognize how invaluable their insight and contributions are to our success as a business. We know that employee engagement is incredibly important, so we have designed programs to enhance Team Member well-being, career pathing, and development, and created channels for communication to connect, train, and educate.

Our most recent engagement survey had an overall participation rate of 77% with an overall engagement score of 73%. We conduct an employee engagement survey once every two years. Our next survey will take place in 2025.

CAREER DEVELOPMENT, TRAINING, AND MENTORSHIP

At Michaels, we realize the importance of providing high-quality career development opportunities for our Team Members to ensure that Michaels is a place where people can grow. To that end, we have a series of opportunities and development programs ranging from 10-week internships to management training courses, all with the goal of promoting career growth.

As part of our commitment to nurture learning and growth within our diverse workforce, we offer opportunities for training, development, and education to promote individual success. We set Team Members up for success through our talent management processes and programs. We believe that Team Members should always strive to improve their craft by owning their career development supported by their supervisors. Our leaders advise and partner with their Team Members to help build competencies and skills such as:

- Setting goals and expectations
- Participating in mentorship opportunities with senior management
- Creating a Career Development Plan (CDP)
- Identifying key activities and experiences that will help grow areas of development
- Completing role-specific training, optional development courses, and Inclusion & Diversity (I&D) training; attending Michaels Resource Group events
- Completing compliance and awareness-based training

We offer most of our training through our online Workday-enabled learning platform, providing Team Members the flexibility to participate in training to best suit their schedules.

EMPLOYEE RECOGNITION



We recognize Team Members' opinions through a bi-annual engagement survey to actively listen to Team Member concerns and learn how we can improve Team Members' work and life objectives. We also recognize Team Members' milestone anniversaries with the institution of new long-term service award cash payments to Team Members starting at 20 years of service.



Michaels Employee Resource Groups



We launched Michaels Resource Groups (MRGs) with the mission to celebrate and raise awareness of our diverse population, promote education about many different cultures and communities, dismantle stereotypes, and champion an inclusive shopping and work environment for all customers and Team Members.


The purpose of these groups is to create opportunities to build an inclusive culture; support business growth; provide a platform for Team Member engagement and development; and support the company strategy, culture, and values.

Each of the MRGs consists of individuals who join based on similar interests, backgrounds, and shared experiences, and all groups are open to allies. Each MRG is led and represented by Team Members who volunteer their time in support of the group.

Resource Group	Mission	Founded	Members	Key Events
	Advance awareness and inclusion of people with disabilities at Michaels and support Team Members caring for loved ones with disabilities.	2020	295	<ul style="list-style-type: none"> • Makers Like Me — Persons with Disability (PwD) Hiring initiative across entire company • Collaborated events with other MRGs, as PwD are part of every community • Held informational panel events with internal and external speakers on various topics that touch the PwD community and on how Team Members can be better allies
	Create and promote awareness about Asian countries, people, and cultures in an effort to dispel prejudices and biases.	2018	321	<ul style="list-style-type: none"> • Lunar New Year (LNY) — Celebration and educational sessions for Team Members • Diwali Festival of Lights — Celebration and educational sessions for Team Members • Holi Celebration of Color — Celebration and educational sessions for Team Members

Resource Group	Mission	Founded	Members	Key Events
	Provide education and awareness about the different cultures of our Team Members and celebrate diversity throughout the year.	2020	195	<ul style="list-style-type: none"> • Black History Month highlighted products created by Black artists, vendors, and creators. Donated a portion of sales to the Thurgood Marshall Scholarship Fund (TMSF) to relieve the financial burden of students attending Historically Black Colleges and Universities (HBCUs). • Juneteenth — Celebration and educational sessions for Team Members • Black Business Month - Invited internal and external vendors from our local community to give back to local Black businesses and raise awareness
	Promote cultural pride and social understanding of the Hispanic/Latinx community through engagement and Team Member events.	2018	206	<ul style="list-style-type: none"> • Cinco de Mayo — Celebration and educational sessions for Team Members • Continued community involvement with Mi Escuelita, an underprivileged preschool with six locations. Held School Supply Drive to provide students with materials needed for the classroom. • Mercado — Educational summit and market. Team Members learned about all Hispanic and Latinx countries, their traditions, foods, and holidays. Internal and external vendors from the local area attended to enhance our community outreach.
	Increase awareness and provide a safe and welcoming forum for the LGBTQIA+ community.	2018	245	<ul style="list-style-type: none"> • Pride Month — Donated proceeds from our Pride assortment to PFLAG — the nation's largest organization dedicated to supporting, educating, and advocating for LGBTQIA+ people and those who love them • Participated in the annual Dallas Pride Parade and won the best For-Profit Company Float • Participated in the Ottawa Pride Parade, Chicago Pride Parade, and Denver Pride Parade. Look to continually grow our reach. • Participated in community LGBTQ S.A.V.E.S. event crafting with local kids

Resource Group	Mission	Founded	Members	Key Events
	Serve as a strategic partner at Michaels, promote a culture of diversity and inclusion, and support our veteran community.	2019	199	<ul style="list-style-type: none"> • Military Appreciation Month — hosted and participated in events that helped connect our military veterans and spouses to the community • Memorial Day participation in the Carry the Load march, hosting flag-raising ceremonies with community Veterans of Foreign Wars Troops, and honoring the Team Members and their families who work for Michaels • Donation of art supplies to Walter Reed Medical Center National Intrepid Center of Excellence where service members are treated for Traumatic Brain Injuries and PTSD with Art Therapy • Ongoing participation in hiring fairs on military bases to connect with transitioning service members and military spouses
	Provide education, resources, and support to Team Members and customers of all faiths as well as those who are unaffiliated with a specific faith.	2020	185	<ul style="list-style-type: none"> • National Day of Prayer panel event. Educational opportunity for all Team Members. Members of all different faiths gathered to discuss how prayer is demonstrated in their faith. • Community outreach with A21 organization and their annual March for Freedom to bring awareness to human trafficking - an epidemic that touches every population across all MRGs • Care packages/school supply donation to A21 human trafficking survivors to help them reassimilate back into society • Annual Holiday Celebration — Fun and educational event for all Team Members to celebrate the holidays together and learn about how different faiths celebrate their holiday season. Local vendors are brought in to extend our community outreach.

Resource Group	Mission	Founded	Members	Key Events
	Serve as a strategic partner at Michaels, promote a culture of diversity and inclusion, and support our veteran community.	2019	199	<ul style="list-style-type: none"> • Women's History Month — Partnered with Attitudes and Attire to donate over 1,400 pieces of clothing to women who are transitioning from military service, homelessness, or incarceration • Partnered with local stores to host hiring fairs for women who come through the Attitudes and Attire program • Breast Cancer Awareness Month — Hosted a collaborative event with all MRGs to bring in health care providers, nonprofit organizations, massage chairs, flu shot clinic, B12 boosters, blood drive, FHA/FSA enrollment, and overall health care awareness event

Team Member Health, Well-Being & Benefits

We are strongly committed to supporting our Team Members and providing them with competitive benefits packages, whether they are part-time, full-time, or salaried positions. Our benefits support the overall well-being of Team Members and their families, from their financial security to their mental and physical health. Our curated range of programs includes:

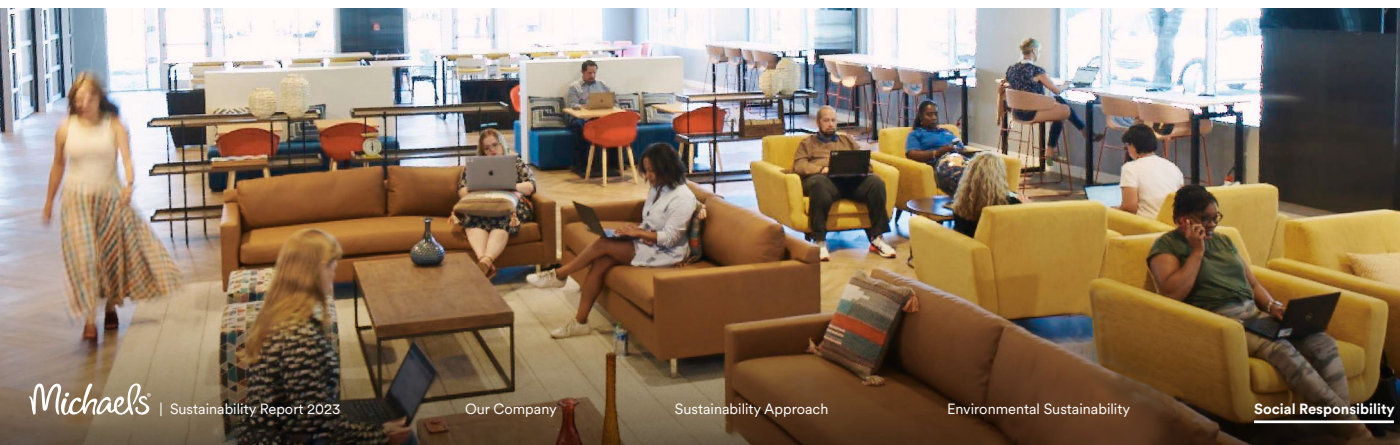
- Flexible working hours
- Michaels CARES Employee Assistance Fund
- Parental Leave for all salaried Team Members
- Adoption Assistance (financial)
- Tuition Reimbursement
- Employee health and wellness programs, including mobile mammograms, flu shots, virtual health availability, and more

- Free access to health care for part-time Team Members and their families
- 401(k) Retirement Plan and similar programs for all other countries outside the United States
- Employee discounts in stores

Informational panel events with internal and external speakers on various topics that touch the PwD community and how Team Members can be better allies. We crafted these programs through engagement with our Team Members and are continuously seeking partnerships and opportunities to improve our benefits offerings to best suit the needs of our Team Members and their families.

Michaels Cares Employee Assistance Fund

We offer crisis support through Michaels CARES, an independent 501(c)(3) nonprofit organization that is 100% Team Member funded through single donations and payroll deduction. This organization is designed for Team Members to assist fellow Team Members in their greatest time of need. Team Members can apply for an immediate cash grant to help cover costs while recovering from a difficult event, including loss of a residence due to natural disaster or crime, death of a family member, a life-threatening illness or injury of a dependent family member or Team Member and housing eviction or displacement. Since its inception in 2005, Michaels CARES has assisted Team Members with over \$3.5 million in grants.



Inclusion & Diversity

At Michaels, we believe everyone belongs at our craft table. We understand that diversity is integral to growing personally, professionally, and creatively, and we are committed to honoring all our customers and Team Members. Whatever your story, you are welcome here. Inclusion & Diversity (I&D) is the journey of growth that we take together every day to deliver on our I&D vision: You Belong Here.

OUR APPROACH AND LEADERSHIP

In 2018, we established our Inclusion & Diversity Council which is comprised of a cross-functional team of 20 leaders and Executive Officers from across the organization representing various functions and geographies, including stores, distribution centers, Artistree locations, and support centers. The council meets once per quarter to review Inclusion & Diversity plans and progress, as well as new topics that may influence education, awareness, or procedure at Michaels.

The I&D Council helps create strategic accountability for results, provides governance and oversight on diversity efforts, and promotes company-wide communication on progress. These leaders also serve as executive sponsors to our Michaels Resource Groups.

Additional I&D Team efforts include:

- Connecting with internal business partners to enhance and implement I&D strategies and programs that continue to advance Michaels' overall I&D goals.
- Providing education and awareness through our I&D quarterly newsletter, Crafted for All; our internal communications site, The MIK weekly communications, Creative Brief, and Makers Weekly.

OUR I&D VISION

Our vision is to create inclusive experiences everywhere. Our strategy focuses on creating inclusive experiences for all as we strive to inspire our customers, cultivate confident leaders, innovate through strategic partners, and serve our communities.

- Team Member Experience: Guided by Michaels' Values, we are committed to a culture that creates a more inclusive and diverse, more productive, and most of all, fun, work environment. As a part of this, we are developing inclusive experiences for our Team Members, into our products, processes, and programs.
- Community Impact: As we continue to grow, we take deliberate action to make a significant impact on the communities we serve. Whether it is through our inclusive products, services, or volunteer activities, Michaels aims to be a leader to help achieve a more inclusive society for the future.
- Customer Experience: We work backward from our customers in all that we do, because they are the reason we exist. Whether it is in-store shopping experiences, deliveries to their front door, or their shopping experiences, we are committed to creating an accessible and easy shopping experience that allows our customers to spend more time being creative.

Visit our [Inclusion & Diversity homepage](#) to learn more about ways of getting involved and how we're continuing to advance our efforts at Michaels.

MAKERS CIRCLE - INCLUSION & DIVERSITY ADVISORY GROUP:

We learn from some of our core customers — Makers — what we can do to make Michaels a better shopping experience for all. Our Michaels Makers Circle is an Inclusion & Diversity focus group comprised of 125 participants in the United States and Canada.

- Gender: 82% women, 14% men, and 4% other
- Ethnicity: 30% Black, 27% White, 19% Asian, 16% Hispanic, 3% Multi, 2% Other, 2% Indigenous, and 1% N/A
- Generation: 12% Gen Z, 43% Millennial, 28% Gen X, and 16% Boomer
- Priority Support Groups: 28% Black, 22% Disability
- Inclusion: 17% LGBTQIA+, 11% Asian/Pacific Islander, 10% Women, 6% Hispanic, 3% Other, 2% Veteran

We pride ourselves on listening to a wide variety of people from varying backgrounds to learn their perspectives, experience, and input on Michaels and other retailers. Learning from monthly discussions and activities with this focus group shapes future products and policies for Michaels stores.

VETERAN HIRING

Michaels has a long-standing appreciation for the people who have served their country and who continue to serve here at Michaels. We continue to forge new partnerships with Veteran Service Organizations both in the United States and Canada, educate our talent team on the importance of hiring veterans, and recognize and honor the contributions of our veteran Team Members. Our SALUTE MRG has partnered with our field leaders to participate in a number of military veteran and military spouse hiring events on military bases.

MAKERS LIKE ME

Our Makers Like Me program, in partnership with Global Disability Inclusion, celebrates our core values of putting people first, doing the right thing, and understanding that we're better together by hiring Team Members with disabilities and creating safe, welcoming environments conducive to their success.

Michaels launched the Makers Like Me program in 2021 to attract and hire. The purpose of this program is to increase diversity in hiring by adding Team Members with disabilities to our workforce across Michaels stores, distribution centers, and Artistree locations. So far, we have expanded the program to 472 stores and all distribution and Artistree locations, and we plan to continue to expand our Makers Like Me program to additional stores every year.

2023 HIRE Vets Medallion Award

Michaels was recognized as a 2023 HIRE Vets Medallion Award recipient. The HIRE Vets Medallion Award is earned by businesses that demonstrate an unparalleled commitment to recruiting, hiring, and retaining veterans.

Recipients of the 2023 HIRE Vets Medallion Awards meet rigorous employment and veteran integration assistance criteria, ranging from veteran hiring and retention to providing veteran-specific resources, leadership programming, dedicated Human Resources, pay compensation, and tuition assistance programs.

We're proud to serve those who've served and be recognized with this elite award.



Workplace Safety

APPROACH

It is our commitment and our policy to safeguard the health, safety, and welfare of our Team Members, customers, and the communities we serve. High standards of safety and occupational health management are pursued in the same manner and with the same vigor as other business objectives. We view safety not only as a priority but as a fundamental responsibility that we all must play a part in at Michaels.

Our Company will, at a minimum, comply with the requirements of the relevant safety and occupational health legislation in the countries in which we operate. No Team Member is required to work at a job they know is not safe and has the right to refuse work if conditions warrant such an action.

Michaels is committed to:

- Improving safety performance by setting meaningful, realistic objectives
- Providing adequate and appropriate resources to follow through on health and safety commitments
- Working in partnership with our Team Members to develop and maintain a positive safety culture and encourage healthy lifestyles in the working environment
- Providing suitable, sufficient training to all Team Members as appropriate to their employment
- Requiring cooperation in all safety and health matters, not only between supervisors and Team Members, but also between each Team Member and his/her co-workers

As part of our value of “putting people first,” Michaels is committed to ensuring a safe, healthy workplace for all Team Members through proactive safety programs, policies, and procedures. It is the responsibility of Team Members to:

- Know and abide by safety programs, policies, and procedures at your work location
- Correct any hazardous conditions that could harm fellow Team Members or customers
- Escalate any hazardous conditions to management

We provide job-specific training on the health and safety requirements and programs of various roles at the company. Failure to know and follow the health and safety program requirements, policies, and or procedures may result in corrective action up to and including immediate termination of employment.

HEALTH & SAFETY TRAINING

Our job-specific health and safety training and related programs involve the following measures:


- Injury & Illness Prevention Program
- Safety communication systems
- Safety auditing
- Hazard/risk assessments
- Ergonomic assessments

- Emergency Preparedness Program
- Safety Committee or Safety Working Group
- Periodic safety meetings
- Providing PPE
- Incident report tracking
- Safety Incentive programs


We continue to explore innovations in employee safety, including piloting programs with new equipment and technology that improve the safety of our workplace, such as Voxel AI technology that identifies hazards and risks in real-time.

HEALTH & SAFETY DATA 2023

2.8

 Total Incident Report Rate (TIIR)

2.5

 Lost Time Incident Rate (LTIR)

Community Engagement & Support

At Michaels, we are in a unique position to give back to our communities through the joy of creativity with in-store crafting events and classroom spaces that foster creativity and skill-building in our communities. Our Michaels Resource Groups support several charitable partners through donations collected from the proceeds of community-focused product collections.

We also believe in giving back to the community through our work with our charitable partnership organization Project Sunshine.

PROJECT SUNSHINE

Project Sunshine's mission is to bring joy and play to pediatric patients. Michaels partners with Project Sunshine to bring creativity, fun, smiles, hope, and relief to kids and their families in hospitals in the United States and Canada. Founded in 1999, Project Sunshine has grown to serve over 200,000 patients. The team works to raise awareness for the emotional needs of children facing medical challenges and for their often-forgotten caregivers. Their programs help promote creative expression, socialization, and learning for young patients while encouraging kids and teenagers to feel like themselves during emotionally and physically challenging times.

COMMUNITY ENGAGEMENT BY THE NUMBERS

\$166,800

corporate charitable contributions

\$302,350

consumer charitable contributions



Products & Customer Satisfaction

PRODUCT POLICIES

Michaels Product Governance Policy lays out our approach to developing, sourcing, and delivering products responsibly and thoughtfully, with consideration for the impact of our products on the environment and individuals.

We won't sell any product that is illegal or promotes illegal activities of any sort, or any product that promotes hate or bigotry. We stand against all discrimination, whether it's based on race, sex/gender, gender identity, sexuality, religion, ability, or any other factor because everyone belongs at our craft table. We won't sell any product that promotes, incites, or glorifies violence or harm against any group or person — including oneself. We won't sell products that contain explicit or adult language in store, because our stores need to be child-friendly spaces. If an online-only product contains explicit or adult language, we'll make sure there's a warning label on the product page. We won't sell any product with content we consider to be inappropriate, offensive, or harmful to our customer community. We strive to promote cultural authenticity and avoid cultural appropriation. We value and celebrate the diverse communities our customers and Team Members represent, and we work hard to offer products that are meaningful, authentic, and respectful.

PRODUCT SAFETY

We sell products that are safe and effective for our customers' needs. However, if we learn of any potential risks or harm associated with our products, we share this information as quickly as possible on our [Product Recalls Webpage](#) and our corporate social media accounts.

VOICE OF THE CUSTOMER

We are consistently striving to simplify and streamline our processes to ensure that it's easy for our customers to get the right products at the right price as we deliver a best-in-class shopping experience. We listen and respond to customer feedback on various Michaels programs and products to continuously improve the experience. We report and respond to any issues raised to ensure we are addressing the needs of our customers and identifying areas for improvement.

Dependable Governance

29

Supply Chain Governance

30

Corporate Sustainability Oversight

32

Policies

32

Business Continuity & Crisis Management

33

Board Summary

34

Ethics & Compliance

35

Data Privacy & Security

Supply Chain Governance

We conduct our business in a lawful and ethical manner, and expect our vendors do the same. We have adopted a Vendor Code of Conduct and Human Rights Policy (Vendor Code of Conduct) that includes the minimum standards we expect all our merchandise vendors and their factories to follow. Merchandise vendors must agree in writing to comply with the Vendor Code of Conduct as a prerequisite to doing business with us. We have translated the Vendor Code of Conduct into the languages of our vendor base and have provided these translations to our vendors for their use. The Vendor Code of Conduct is an integral part of our Social Accountability Program, and we ask Team Members and vendors to report any potential violations of the Code of Conduct to a third-party hotline.

We have a robust sourcing initiative with several vendors to create many of the private branded products that we sell. We have third parties audit the vendors and factories that produce Michaels-branded or privately branded products against the principles described in the Vendor Code of Conduct. Those principles include:

- Child labor
- Forced labor
- Human rights
- Discrimination
- Freedom of association
- Compensation
- Working hours
- Health and safety
- Environment
- Subcontractors
- Bribery
- Conflict of interest
- Animal testing
- Information confidentiality and data privacy

SUPPLIER ACCOUNTABILITY

We are expanding our evaluation of suppliers through quality assessments, regular on-site visits, enterprise third party risk management, and vendor due diligence, holding vendors accountable for compliance offenses.

We go to great lengths to ensure our supplier contracts have explicit language prohibiting illegal or unethical behavior, and we conduct supplier assessments and monitoring to ensure that vendors are behaving in line with our expectations. Both our contracts and our assessments address topics pertaining to child and forced labor, human rights, worker welfare, corruption and bribery, climate risk, diversity, health and safety, and sustainability. When we find violations among our existing or potential suppliers, we take corrective action or do not initiate work with these vendors.

We conduct annual Social Accountability (SA) Audits at the Tier 1 factory level, and a passing audit is required prior to production start. SA Audits are required annually for all existing private brand suppliers manufacturing in Tier II factories and above. A social audit is also required if a factory changes their physical location.

We completed 731 total supplier audits in 2023. The number of factories we audit a year is dependent on factory expansion and consolidation. At right is a breakdown of recent supplier audits:

AUDIT TYPE



Initial Audit



Recertification Audit



Factory Relocation



Follow-up Audit



Factories that obtain a score of 74% or lower on the audit are required to complete a Corrective Action Plan (CAP). Additionally, recertification audits that score between 75-89% and have consistent findings to the previous audit or a lower rating than last year will require a CAP. If a factory obtains a critical finding within its audit, a CAP is automatically required. Desktop reviews and/or follow-up audits are required to validate all CAPs. If a factory does not conform, we will not initiate production with that factory. If an existing factory does not conform, we will partner with sourcing to transition away from this factory and resource products to a compliant partner. The chart below outlines our SA Scorecard:

RESPONSIBLE SOURCING

Michaels is committed to operating a supply chain that upholds ethical sourcing practices to protect the lives and well-being of all individuals and the planet. Michaels recognizes the complexities of supply chain management and procurement, and we continue exploring product options that align with our sustainability efforts. We applaud and encourage our vendors to actively engage in sustainability efforts. As we expand our responsible sourcing initiatives, we have pursued the following measures:

- Leverage third-party auditing expertise to ensure responsible environmental and social practices at all our factories
- Eliminate source regions for cotton and leather that hold reputations for negative impacts on the environment and local communities
- Make a concerted effort to avoid sourcing from regions associated with unethical or illegal conduct
- Encourage our vendors to minimize shipment packaging to reduce waste without sacrificing product quality
- Source and promote more fair trade, eco-friendly, and sustainable products

Percentage Score	Rating	Portable Auditing System (PAS) ¹ <i>Approximate to Michaels Rating</i>	CAP Required	Next Audit	Status
90% - 100% <i>w/o critical</i>	SUPERIOR	90% - 100%	N	Within 1 year	PASS
75% - 89% <i>w/o critical</i>	GOOD	75% - 89%	Y¹	Within 1 year	PASS
50% - 74% <i>w/o critical</i>	FAIR	50% - 74%	Y²	CAP Follow Up within 2-6 months	FAIL
<50% <i>w/o critical</i>	UNACCEPTABLE	<50%	Y²	CAP Follow Up within 2 months	FAIL
Critical Findings	CRITICAL		Y²	CAP Follow Up within 2 months³	FAIL

¹ Requires CAP for repeated findings, or lower rating than last year (e.g., Superior to Good).

² Factory cannot produce or ship product after CAP is approved by document review.

³ Certain critical failures may be closed by CAP document review instead of a physical CAP follow-up audit.

We evaluate suppliers' performance around on-time delivery, responsible sourcing transparency, audit scores, and inspection performance.

We require general business information that demonstrates each vendor's capability to manufacture a specific product category (manufacturing sites, machinery, industry knowledge, designs, production history/capacity, among others). We also require the vendors to share specific information required for social compliance audit. Vendors are welcome to share their specific efforts in sustainability; however, this is not mandatory information, and we don't currently capture these attributes systematically.

Michaels recognizes that having a diverse supply chain provides companies with a multitude of benefits. A diverse supply chain increases inclusion, enhances procurement abilities, and supports economic progression. Michaels has revisited our supplier diversity program, established a Supplier Diversity Council, and is working to improve and validate supplier diversity across the company. Advancing supplier diversity aligns with our values, our customers' expectations, and is good for our business.

Corporate Sustainability Oversight

The board of managers (Board) of Michaels' ultimate parent, Magic HoldCo Parent, L.P., has broad oversight over all corporate sustainability related topics, including inclusion; cybersecurity and data privacy; health and safety; and corporate sustainability. Below is a description of the corporate sustainability oversight framework at Michaels.

BOARD & COMMITTEES

- The Board is the highest level of governance for the corporate sustainability program
- The Board and each committee have oversight into the different portions of the corporate sustainability program with focuses on specific areas of risk and sustainability. The full Board oversees corporate governance framework, health and safety, and cybersecurity and data privacy matters; the Compensation Committee oversees social responsibility initiatives, including talent management, compensation, culture, and inclusion matters; and the Audit Committee oversees risk management, financial integrity, and business ethics matters
- Corporate sustainability priorities are cascaded down from the Board and serve as foundation management to implement our corporate sustainability strategy as part of the company's broader execution of corporate strategy, communications, and community and employee engagement
- The Board and its committees receive periodic reports on and discuss corporate sustainability topics at meetings throughout the year

EXECUTIVE LEADERSHIP

- The Chief Legal Officer has direct oversight of the corporate sustainability program and approves or alters current corporate sustainability strategies based on feedback from other members of executive leadership and the Board
- The Chief Legal Officer is responsible for cascading input and feedback from the Board down to the Corporate Sustainability Strategy and Disclosure team

ESG STRATEGY AND DISCLOSURE

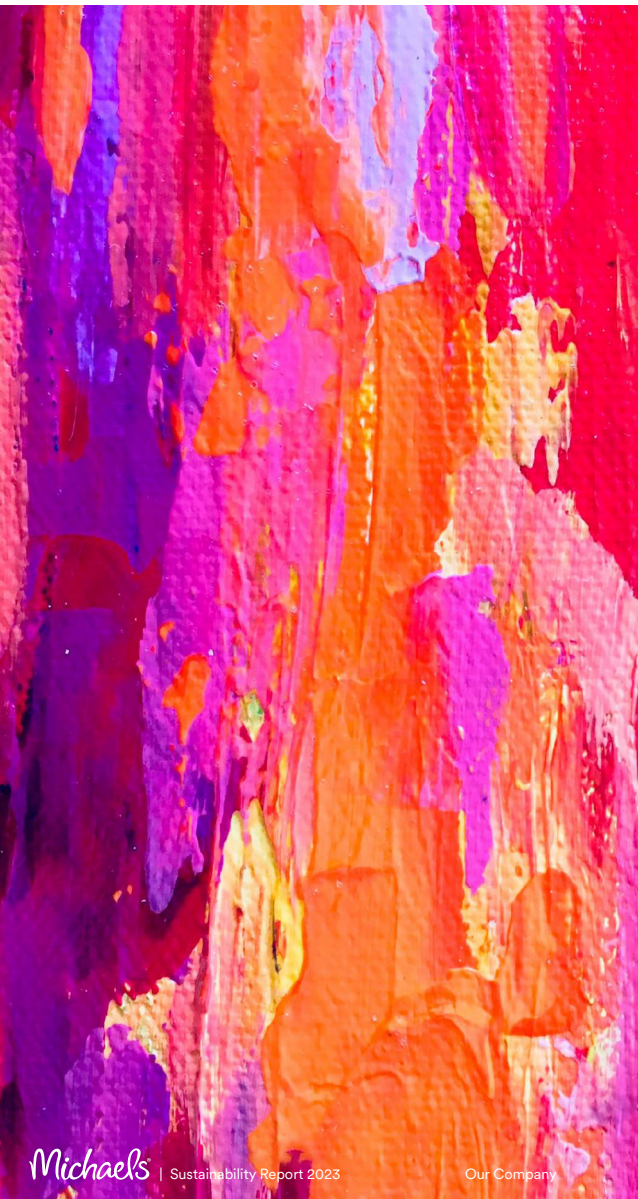
- The Compliance team, led by the Director of Compliance, analyzes industry trends, investor expectations, Sustainability frameworks, and relevant news and regulations to formulate current corporate sustainability strategies
- These individuals are responsible for responding to all sustainability-related inquiries from investors and institutional stakeholders as well as drafting and maintaining our corporate sustainability website, sustainability report, and all related corporate sustainability policies

ESG COMMITTEE

- The Corporate Sustainability Committee is headed by the Corporate Sustainability Strategy and Disclosure team and comprised of at least one key Team Member from each department who is a key stakeholder in our corporate sustainability strategy
- The purpose of this committee is to engage each department (Legal, Facilities, Talent Management, Human Resources, Procurement, and Sourcing, among others) to generate new ideas for sustainable and responsible growth as well as to collaborate on the status of current corporate sustainability strategies

EXECUTION

- The execution of corporate sustainability strategies occurs at all levels of the company, including but not limited to stores, distribution centers, Team Members, corporate, and leadership
- Our Corporate Sustainability Committee members work to ensure the direction of our corporate sustainability program is understood and functioning properly through effective communication and publication of resources



Policies

The policies listed below codify our responsible business practices and are available on our website or upon request.

- Code of Business Ethics and Conduct
- Data Privacy and Security
- Inclusion & Diversity and Human Capital Policy
- Employee Handbook
- Energy and Environment Policy
- Governance and Ethics Policy
- Product Governance Policy
- Vendor Code of Conduct and Human Rights

Business Continuity & Crisis Management

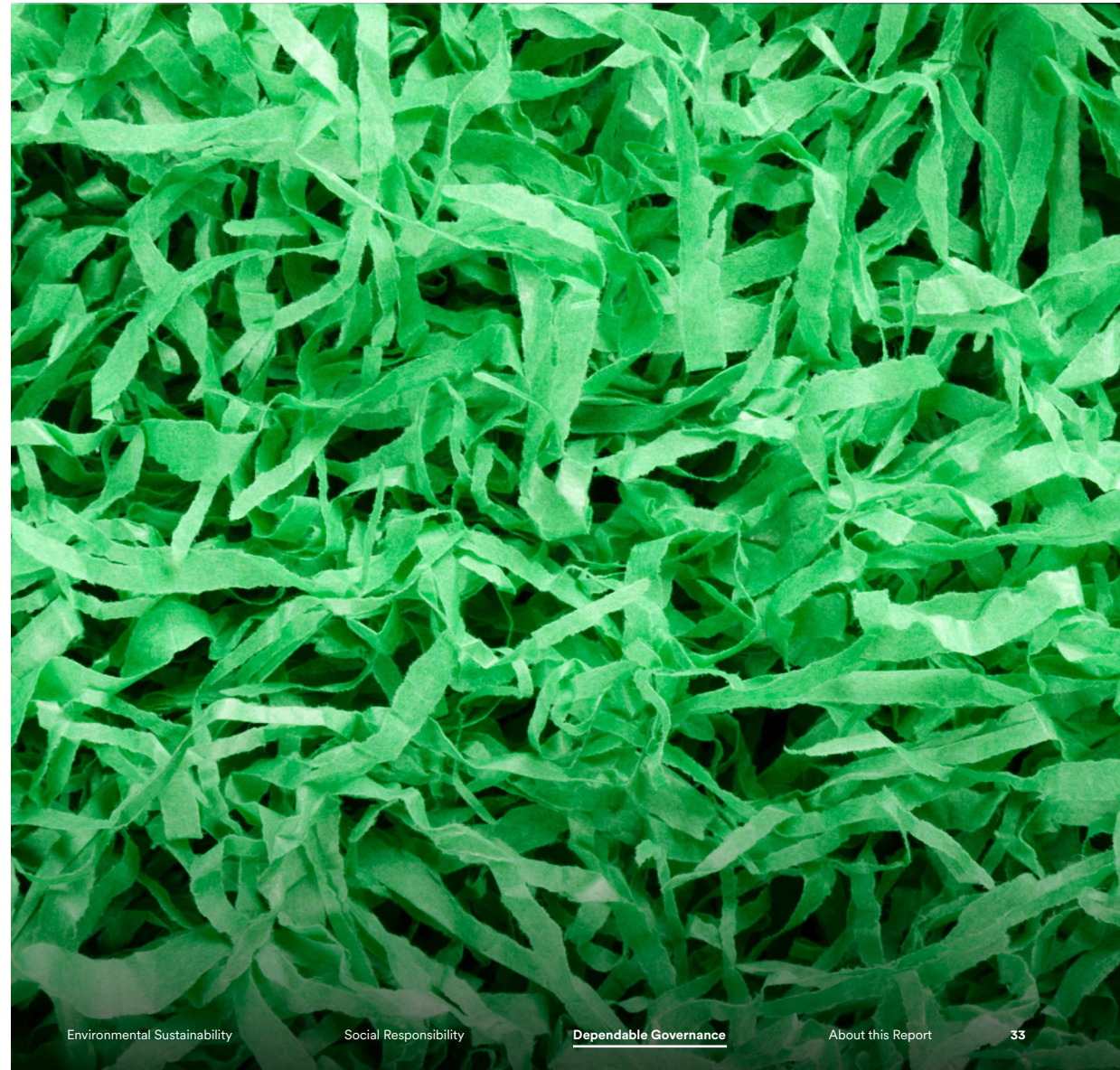
Ensuring we have best-in-class crisis management and business continuity plans in place is essential to our operations. We take every precaution available to ensure the safety of our Team Members while also ensuring our ability to continue serving our customers with minimal disruption during times of crisis. Our Support Center teams work to ensure we are prepared to respond to crisis events by providing our teams with the necessary time, procedures, and support to protect themselves, our customers, and our properties. We also partner with top disaster mitigation companies to ensure the quickest possible response and recovery. We maintain a dedicated crisis management committee to ensure we are prepared to respond quickly and efficiently to all crisis events as necessary.

Board Summary

Our Board is comprised of eight individuals who are responsible for providing a critical, strategic oversight role for the company. Board members bring a wealth of business acumen and diverse ideas and perspectives to Michaels. They are actively involved in corporate sustainability-related topics including inclusion, cybersecurity and data privacy, health and safety, and sustainability disclosure. Board members regularly receive updates on these topics and provide counsel and guidance for senior management.

BOARD COMPOSITION

- Five independent Board members, in addition to two directors designated by the company's shareholders and the CEO
- 50% independent Committee chairs
- Our Board members reflect our commitment to inclusion, including three ethnically diverse individuals and one woman, with both Committee chairs being diverse



Ethics & Compliance

Ethics and integrity are at the forefront of every decision we make as a company, and we will always strive to do what is right for our customers and Team Members. We believe that we are better together and that being a Team Member at Michaels means joining a community that values your perspective, listens to your diverse voices, and collaborates with respect and dignity.

CODE OF BUSINESS ETHICS & CONDUCT

We have adopted a written Code of Business Ethics and Conduct (Code of Ethics) that applies to our directors, officers, and Team Members, and is designed to ensure that our business is conducted with integrity. The Code of Ethics covers professional conduct, conflicts of interest and the protection of confidential information, as well as adherence to laws and regulations applicable to the conduct of our business. We require Team Members to complete an annual

review of our Code of Business Ethics and Conduct, and we ask Team Members and vendors to report any potential violations of the Code of Ethics to our third-party hotline.

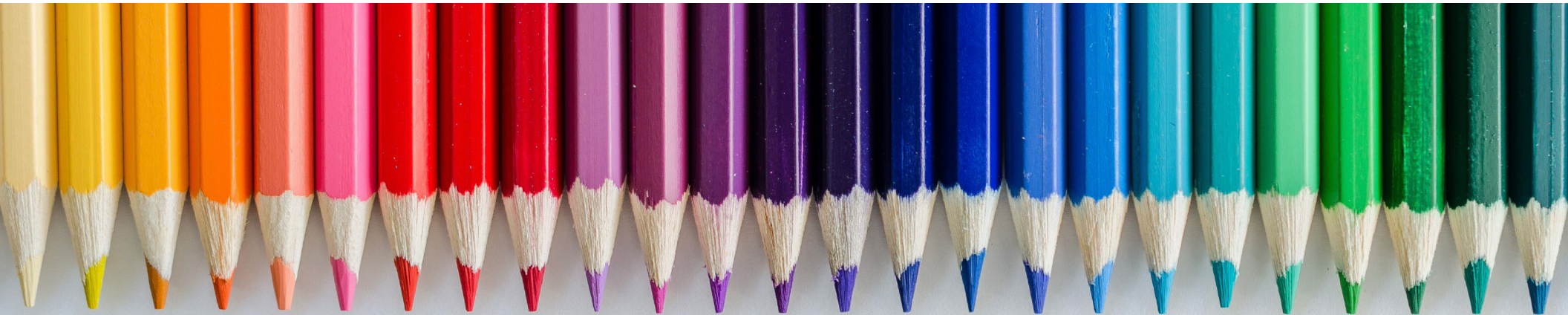
HOTLINE/WHISTLEBLOWER

Michaels has an active open-door policy to help facilitate positive communication with our Team Members and our business partners. We urge all Team Members, customers, and business partners to report any potential violations of the Code of Ethics to our confidential, independent, third-party operated hotline at 888-226-3443 or michaels.ethicspoint.com, available 24/7 in all local languages.

We commit to conducting a fair, timely, complete, and thorough investigation of any complaint. If needed, we may conduct investigations pertaining to security, auditing, theft, or other workplace misconduct. If misconduct is found

at the end of the investigation, Michaels will respond appropriately (e.g., discipline, training, etc.) based on the offense up to and including immediate termination of employment. We will take appropriate action to prevent similar conduct in the future. Failure to cooperate in an investigation may lead to corrective action, up to and including termination of employment.

In addition, our U.S. Team Members have the right to file a complaint with the Equal Employment Opportunity Commission (EEOC), the federal agency that investigates discrimination and harassment in the workplace, including sexual harassment. To find your nearest EEOC office or to file a complaint, go to eeoc.gov.



Data & Privacy

DATA PRIVACY & SECURITY POLICIES & OVERSIGHT

Data protection remains an ongoing priority for us. We treat our customers' information with the highest level of data privacy, and all customers are afforded all the rights and requests under the California Consumer Privacy Act, regardless of their location. We also abide by all privacy laws in every location where we do business and protect the privacy rights of our Team Members.

We have a Data Privacy and Security Policy that outlines our commitment to protecting our customer, employee, and company data, and provides an overview of the measures taken to safeguard our information. We use technical, administrative, and procedural measures to protect personal and other information from unauthorized access or use.

Our Data Privacy and Security Risk Management is a joint effort between our Chief Information Officer, Chief Legal Officer, and their respective teams. We also have dedicated compliance directors who track developing trends and meet routinely to discuss emerging issues or initiatives in the data privacy, security, and cybersecurity space. These compliance directors also meet with third-party privacy advisors for a similar purpose.

In addition, our Board receives annual state of security and privacy updates and manages risks related to data privacy and security. During annual meetings, the audit committee, CISO, and CIO are responsible for answering the Board's cybersecurity-related questions.

TRAINING AND PHISHING PROGRAMS

All Team Members participate in an annual training program that involves security awareness, data privacy, data protection, cyber awareness, and data ethics. As a team, we regularly conduct phishing detection and awareness campaigns to ensure our workforce remains vigilant in protecting our company against cyber threats.



About This Report

This Sustainability Report details how our organization is making a positive impact on our environment, our Team Members, and our customers.

Unless otherwise stated, the data in this report is as of December 31, 2023. It covers the calendar year January 1-December 31, 2023 (referred to throughout the report as “this year”).

Additional information about Michaels is available on our website. Please contact prcontact@michaels.com with any questions or comments.