

MiddleGround Capital

Sustainability Report

2023



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All images are for illustrative purposes only.

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FOUNDING PARTNERS

We are delighted to reflect on the remarkable journey we have undertaken over the past year at MiddleGround Capital, with a particular focus on our performance in the realm of ESG and sustainability. This year has been a transformative period for us, and we are immensely proud of the strides we have made in further embracing ESG principles and integrating sustainability into our strategy.

Recognizing the growing significance of sustainability in the investment landscape, the team took steps to create a comprehensive ESG strategic plan that builds on our existing programs to position MiddleGround for future success. This plan has not only served as a roadmap for our endeavors but has also strengthened our commitment to fostering a positive impact on the environment, society, and our workforce.

Central to our success has been the formation of a dedicated ESG team, comprising experts from diverse backgrounds who are passionately committed to driving sustainable practices within our portfolio companies. This team has been instrumental in conducting thorough assessments, identifying opportunities for improvement, and working collaboratively with our transaction team and portfolio companies to ensure they align with our ESG goals.

At MiddleGround, we firmly believe that taking care of our employees and stakeholders is fundamental to our long-term success. Through our ESG initiatives, we have reinforced our commitment to creating safe and supportive workplaces that empower our workforce. We understand that a motivated and engaged workforce not only drives business performance but also plays a pivotal role in nurturing sustainable, thriving communities.

Our commitment to sustainability goes beyond external factors. We believe that we cannot wait for government policy or regulatory frameworks to be put in place. While supportive policies and frameworks can act as catalysts, we firmly believe that our actions must be driven by our own convictions and values. Regardless of the political and economic landscape, we will continue to champion sustainability and work relentlessly to create a positive impact on the world around us.

As we celebrate our achievements, we also acknowledge that our journey is far from over. We recognize the evolving nature of sustainability, and we remain dedicated to continuously improving our practices and setting higher benchmarks for ourselves. We are excited to build on this momentum and drive even greater positive change in the years ahead.



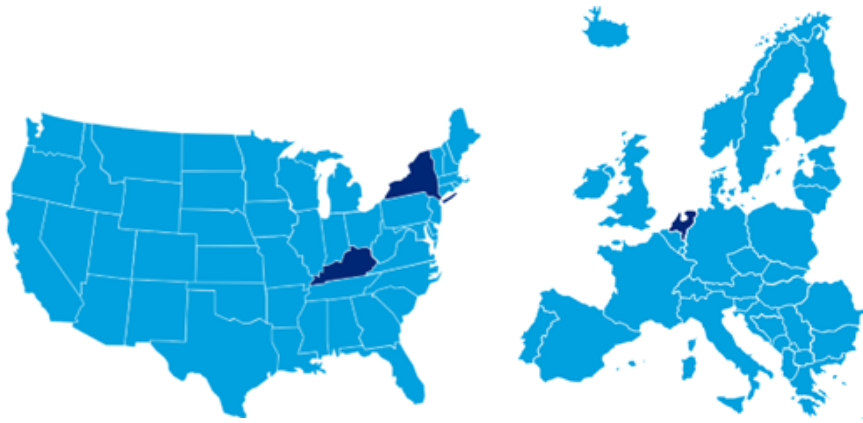
Scot Duncan
Partner,
Chief Operating Office



John Stewart
Managing Partner



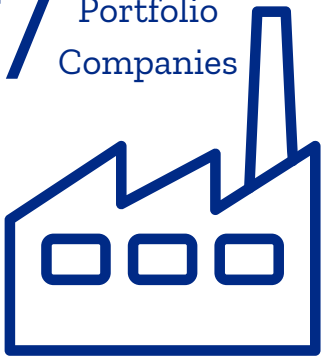
Lauren Mulholland
Partner, Co-Head
NA Transaction Team



3

MiddleGround Office
Locations
Lexington, Ky;
New York City;
Amsterdam

17 Portfolio
Companies



\$3.3bn

Assets Under
Management



113

Employees

45% Diverse Organization

50% Diverse Partnership

57% Diverse Senior
Management Team



100%

ESG Committees
Established at Portfolio
Companies

14

Core ESG KPIs

\$1.3M

Donated by Firm
Employees

893_{hrs}

Volunteered by Firm Employees



~1.4M

Tons of CO₂e
Avoidance in 2022
(MOF)

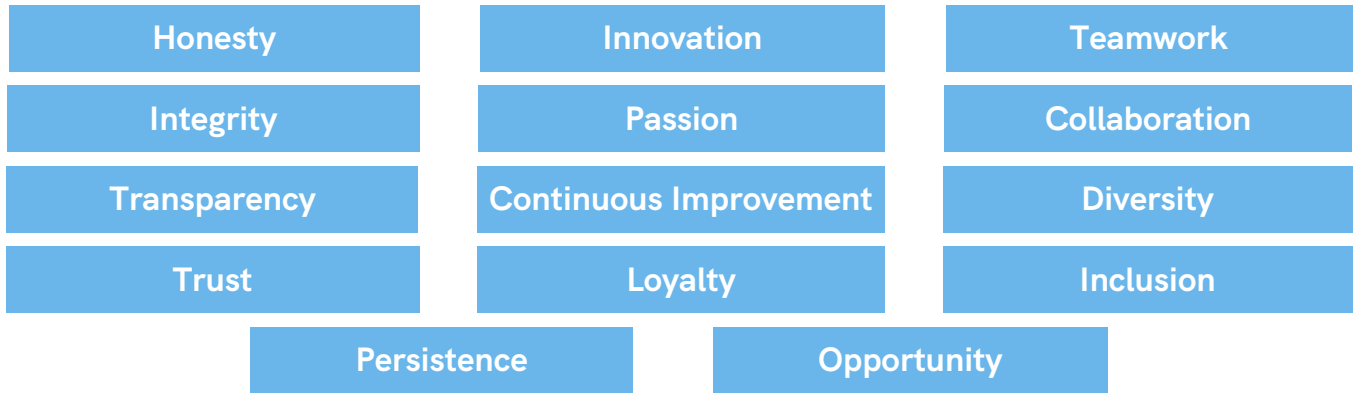
MGGC AT A GLANCE

MISSION, VALUES, VISION

MISSION

Build a private equity firm focused on delivering consistent opportunities for investors to access the lower and lower-middle market making investments in b2b and specialty distribution companies in North America and Europe, while creating a work environment that attracts and retains the smartest and most capable employees.


VALUES

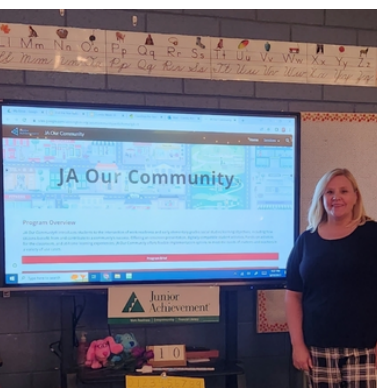


VISION

Leave Everything Better Than We Found It.

THE MIDDLEGROUND DIFFERENCE

- ESG Policy
 - Dedicated ESG Team
 - PRI Signatory
 - ESG Onboarding - Firm Employees & New Acquisitions
 - ESG Dashboards for Transparency
 - ILPA DEI DIA Signatory
 - ESG Committee reporting to all BODs
 - Annual ESG Target Recommendations
 - ESG Incorporation into Value Creation Plan
 - ESG Evaluation during Diligence
 - Defined ESG KPIs
 - Firm ESG Committee
- 



Women's Wing



Finance has been and remains a male-dominated industry. At MiddleGround, diversity has been core to our firm since its inception. Furthering the trend of diversity, MGC has an established Women's Wing providing a space for the women of the firm to get together, collaborate, mentor, and learn from one another.

The group has sponsored self-defense classes, personal development workshops, educational panels, and social events.

As we grow, our Women's Wing has grown with us, with representation in our new Amsterdam office too!

75th Percentile

You may already be familiar with MiddleGround's \$15 an hour or \$25/25 initiatives. However, we also turned our wage benchmarking focus internally and set out to ensure all MGC employees were also being paid with the same vision in mind - the 75th percentile.

After conducting benchmarking, it was identified that our analysts were not meeting the desired benchmark and wages were raised and retroactively paid in July 2022.



Four Day Workweek



MGC is currently transitioning to a 4-day work week. It is our belief that employees will be able to work more effectively and efficiently in a 4-day work period. This transition will take place over a 5-year period, to gradually introduce the benefit. Employees are already exploring their newfound time to further increase work-life balance.

Composting

MiddleGround has taken on a new and exciting initiative to compost across our footprint. During the 2022 Summer Intern Session, our ESG intern established a composting and recycling initiative at our Lexington and New York Office Locations.

She established relationships with local service providers and helped our team find compostable, recyclable, or reusable food containers, coffee pods, snacks, etc. As a result, the team has reduced our landfill impact by over 2000 gallons per year.



Electric Vehicle Program

In order to pursue the transition to a more sustainable future, MiddleGround has developed a program to incentivize its employees with \$5000 reimbursement when they purchase a fully electric vehicle. Our partners are leading by example, as both John and Scot have electric vehicles used to commute to the Lexington Office.



Betterhelp



Better Help is a mental health platform that provides online mental health services directly to employees. The online counseling and therapy services are provided through web-based interaction as well as phone and text communication. This is 100% covered by MGC with no cost to our employees.

MiddleGround is a Great Place to Work!

For the third consecutive year, MiddleGround has been named a Best Place to Work in Kentucky. This year, MiddleGround was also recognized as a Best Company to work for in New York and certified as a Great Place to Work across the United States.

MiddleGround has spent, and will spend, intentional effort creating a place that employees want to work, feel comfortable bringing their entire self to work, and feel valued in the job that they do.

Nationally



Feb 2023 - Feb 2024

New York



2023

Kentucky



2023



Junior Achievement is an organization that aims to prepare children to succeed in a global economy. The program consists of in classroom learning and "Biztown" where students come to learn what it means to run a real business.

MiddleGround began its relationship with Junior Achievement in 2022. The MGC Automation team donated a robot to Junior Achievement's "Biztown". MGC also participated in the Junior Achievement Bowl-A-Thon, where the bowler with the most money raised was pied in the face by Partner Scot Duncan.

Three of our MGC employees have supported in classroom learning by volunteering at a local elementary school to teach the students about business, community involvement, and being an active citizen.



"I was able to participate in Junior Achievement when I was in third grade. To this day, I still remember it – it's where I learned to write a check. I'm happy to be able to give back and hopefully create the same experience for Lexington's youth."

Raye Johnston, Investment Associate

PHILANTHROPY



During the months of November and December, MiddleGround hosted its first canned food drive. In true MiddleGround fashion, the drive was a competition between departments to see who could raise the most canned food per person and win the Golden Can Award.

Proceeds from the event went to support God's Pantry Food Bank in Lexington, Kentucky and The Bowery Mission in New York City. As a result of the drive, MiddleGround donated over 5750 lbs of goods.

"While coordinating our 2022 holiday food drive, it became evident to me that MiddleGround's dedication to leave things better than we found it extends beyond our involvement with our portfolio companies. As we continue to grow as a firm, I can confidently say our commitment to support our communities remains top of mind."

Jonathan Dressman, ESG Associate



The University of Kentucky has named the John Maze Stewart Department of Finance after John Stewart committed \$10M to the Gatton College of Business and Economics. The donation will support minority scholarships in finance as well as an endowment.



"I am humbled by the ability to support the faculty and students at the University of Kentucky with this gift, which will foster an enhanced experience and scholarship opportunities for high-achieving students at the Gatton College of Business and Economics. Throughout my life, I have always maintained a quest for knowledge and continual education. I am a firm believer that a college education is still very relevant and necessary for most young people prior to entering the workforce."

John Stewart, Managing Partner

AWARDS

MiddleGround believes in ESG as a key component of our fiduciary duty to our investors and as a central responsibility to our employees at both the firm and portfolio company level. This belief drives our daily commitment to leaving things better than we found them. Receiving awards and industry recognition for what we believe to be simply part of doing business is an added bonus.

In the last year, we have been recognized for our comprehensive ESG strategy, stewardship and active ownership with our portfolio companies, our commitment to safety and wages at our portfolio companies, and our tracking of data and metrics. We maintain the belief that ESG should not be gatekept and welcome best practice sharing, even with our fiercest competitors because doing the right thing for people and the planet should not be seen as a competitive advantage.



Best Social Initiative: Management Company



Best Corporate Sustainability Strategy: Management Company



Best ESG Firm: Small Cap

2023

Best Social Initiative: Management Company
PE Wire

2023

Best Corporate Sustainability Initiative: Management Company
PE Wire

2023

Best ESG Firm: Small Cap
PE Wire



2022

Innovator of the Year
BluWave



2023

Top PE Innovator of the Year
BluWave



2022

PE Innovators in ESG
Mergers and Acquisitions



ESG Investing
Finalist: Awards 2023

2023

Finalist
ESG Investing



“Leave Everything Better Than We Found It.”



Mike Bridge
Managing Director,
Data Operations

Role at MiddleGround Capital

- 2.5 Years at MiddleGround Capital
- Oversight of ESG, Data, and IT

Experience and Education

- Former Toyota Chief Production Engineer
- 19 years at Toyota Manufacturing - Production, engineering, operations
- Education: University of Louisville, Master of Engineering, Mechanical Engineering; MBA, Master of Business Administration



Madelyn Tutewiler
Director,
ESG

Role at MiddleGround Capital

- 1.5 Years at MiddleGround Capital
- ESG strategy development and implementation at the firm and across the portfolio

Experience and Education

- 5.5 years Environmental Health and Safety Professional at Marathon Petroleum—Renewable Fuels, Midstream, Refining
- Education: Eastern Kentucky University, Bachelor of Arts, Globalization and International Affairs; Master of Science, Safety Security and Emergency Management



Jonathan Dressman
Associate,
ESG

Role at MiddleGround Capital

- 2 Years at MiddleGround Capital
- Operations Intern and ESG Intern, ESG Analyst
- Key Focus Areas: ESG Diligence, Wage Benchmarking, \$25/25, Data Analytics, ESG Metrics

Experience and Education

- Education: University of Kentucky, Bachelor of Science, Business & Economics

“The team made great strides in 2022 as we developed our ESG strategic plan, bolstered our systems and processes, and increased ESG engagement across the portfolio.”

Madelyn Tutewiler, ESG Director



MEET THE TEAM

WHERE WE'VE BEEN

ESG Timeline

MiddleGround has been committed to Environmental Social Governance since the beginning.

2019

ESG and taking care of people are core values at MiddleGround. In 2019 both Governance & ESG policies were established to document these values.



2020

In 2020, ESG was formally added to MGC's Hoshin planning process with an action plan established at both the firm and portfolio level. An ESG Committee was established with a cross functional team. ESG KPIs were established and portfolio companies began tracking these.

MiddleGround became the first sub-billion dollar Industrial Buyout Principles for Responsible Investing signatory.

*In 2021 MiddleGround:
Donated \$1,037,895
Volunteered 270 Hours*

2021

MiddleGround submitted its first voluntary report to the UNPRI.

The portfolio metrics were set up in dashboards to promote real time use and transparency of ESG data.

*In 2022 MiddleGround:
Donated \$1,338,663
Volunteered 893 Hours*



2022

ESG team established with ESG Director, Vice President, and Analyst.

The team developed an 5-year ESG strategy.

A portfolio wide safety program was developed and deployed to portfolio companies. The team published the first annual sustainability report.

2023

Goals for this year include:

- Aligning with various frameworks
- Establishing the non-profit MGC Charitable Foundation
- Expanding climate related focus



WHERE WE'VE BEEN

Diversity, Equity, and Inclusion Timeline

At MiddleGround, we choose to be different. In 2018, we were founded on a commitment to always be multicultural and gender-diverse. We believe the diversity of our employees is one of our greatest strengths.

2018

By the end of our first year, we had 12 employees, all led by a 50% female partnership. (25% racially diverse partnership)



2019

We grew to 21 employees- 35% female and 20% diverse.

2020

Of our 32 employees, 60% were women or minority individuals (WMI); overall, the firm was 40% women.

2021

We unveiled the MGC Women's Wing celebrating International Women's Day. This wing continues to host regular Women's meetings on personal and professional growth topics.

Our workforce was 60% WMI. We were announced as a new Institutional Limited Partner Association (ILPA) Diversity in Action Signatory and voted "Best Place to Work in Kentucky."

2022

As part of our corporate governance onboarding, we established new policies to review ethics and employee handbooks. Of our 92 employees, 54% were WMI. We were also voted the "Best Place to work in Kentucky" for the second consecutive year.



2023

Our goal is to find new partnerships across our footprint to support underrepresented demographics. We have incorporated DEI into our 5-Year strategy and set hiring goals accordingly.



ESG STRATEGY

ESG data and information is collected during diligence and during the life of a transaction. While there are hundreds of ESG metrics, MiddleGround has chosen specific KPIs to evaluate our portfolio companies against that are most material to our industries. The ESG team meets with our portfolio companies to set targets and make meaningful improvements using our selected KPIs.

Environmental  <i>Steward for the environment</i>	Social  <i>Seek partnership in all relationships</i>	Governance  <i>Corporate leadership, transparency, and internal controls</i>
Portfolio Company Key Performance Indicators		
<ul style="list-style-type: none"> • Energy Intensity • Water Intensity • Carbon Footprint • ISO 14001 Certification 	<ul style="list-style-type: none"> • Employee Wages (\$15/hr minimum & \$25/hr target) • CEO to median pay ratio • Recordable Incident Rate • Women in Workforce • Diversity in Workforce • Turnover 	<ul style="list-style-type: none"> • Board ESG, Audit, and Compensation Committees in Place • Board Diversity • Independent Board Members • Corporate Policy Review

The year 2022 was spent strategizing, planning, documenting, and improving. Our 5 year strategy was developed to outline MiddleGround's goals for ESG at both the firm and portfolio level and define a pathway to achieve those goals.



PORTFOLIO ESG METRICS

KEY

Dec. 2021 to
Dec. 2022



Improvement



Decline



No Change



Baseline Year

¹ Mobility Opportunity Fund

*North America Only

**US Only

^Decline due to M&A Activity

All metrics as of Dec 2022.

ENVIRONMENTAL METRICS

Company	Energy Intensity	Water Intensity	Carbon Footprint (Scope 1 & 2)	ISO 14001 Certification
	kWh/Rev.	gal/Rev.	tCo2e	% locations
Company A	0.15 ▲	0.057 ▼	13,219 ▼	29%^ ▼
Company B	0.16 ▶	0.016 ▲	6,531 ▶	71%^ ▼
Company C	0.07 ▲	0.059 ▲	14,230 ▼	0% ▶
Company D	0.02 ▲	0.006 ▲	3,780 ▼	0% ▶
Company E	0.03 ▶	0.009 ▲	835 ▼	0% ▶
Company F ¹	0.12 ▲	0.060 ▲	80,109 ▲	100% ▶
Company G	0.03 ▶	0.058 ▶	12,639 ▲	0% ▶
Company H	0.01 ▲	0.003 ▶	1,286 ▲	0% ▶
Company I ¹	0.23 ▲	0.151 ▲	32,161 ▲	71% ▼
Company J	0.08 ▲	0.025 ▲	10,479 ▼	0% ▶
Company K	0.02 ▲	0.020 ▲	4,996 ▼	0% ▶
Company L ¹	0.02	0.003	298	0% ▶
Company M	0.02	0.007	12,677	100% ▶
Company N	0.01	0.000	134	0% ▶
Company O	0.02	0.012	2,256	0% ▶



SOCIAL METRICS

Company	Total Recordable Injury Rate	Turnover	Gender Diversity	Racial Diversity	Employees <\$15/hr	Employees <\$25/hr	CEO to Median Pay
	Company A	3.32 ▲	19% ▼	17% ▶	12% ▲	0 ▶	384 ▶
Company B	5.46 ▼	25% ▲	28% ▶	18% ▶	0 ▶	144 ▶	7.66 ▲
Company C	4.35 ▲	15% ▼	25% ▶	24% ▲	0 ▶	264 ▲	9.25 ▲
Company D	1.53 ▲	7% ▲	16% ▶	49% ▲	1 ▶	240 ▶	10.06 ▲
Company E	5.27 ▼	8% ▶	16% ▲	13% ▼	0 ▶	53 ▶	10.57 ▲
Company F ¹	1.35 ▶	36% ▼	32% ▲	17% ▲	2 ▶	998 ▶	11.83 ▲
Company G	9.87 ▼	64% ▲	13% ▲	9% ▶	0 ▲	269 ▲	10.5 ▲
Company H	7.12 ▲	17% ▼	36% ▶	18% ▶	0 ▲	208 ▲	7.63 ▲
Company I ¹	3.05 ▲	40%* ▲	39%* ▲	51%** ▲	49 ▲	774 ▶	18.59 ▲
Company J	3.19 ▼	21% ▲	23% ▶	33% ▲	0 ▲	670 ▲	6.56 ▲
Company K	5.7 ▶	42% ▲	7% ▲	21% ▲	0 ▲	197 ▲	8.65 ▲
Company L ¹	0 ▶	1% ▲	18% ▲	16% ▲	0 ▶	3 ▶	3.7 ▶
Company M	0.68	15%	19%	19%	0	324	6.01
Company N	1.66 ▶	7% ▶	37% ▶	8% ▶	0	38	4.85
Company O	1.76 ▼	32% ▼	19% ▲	26% ▲	0	159	7.35



GOVERNANCE METRICS

Company	Board Committees	Independent Board Members	Corporate Policies	Board Diversity
				Race & Gender
Company A	100% ▶	2 ▶	100% ▶	25% ▲
Company B	100% ▶	2 ▶	100% ▶	14% ▼
Company C	100% ▶	2 ▶	100% ▶	22% ▲
Company D	100% ▶	2 ▶	100% ▶	25% ▲
Company E	100% ▶	2 ▶	100% ▶	30% ▲
Company F ¹	100% ▶	4 ▶	100% ▶	18% ▼
Company G	100% ▶	2 ▶	100% ▶	30% ▲
Company H	100% ▲	2 ▶	100% ▲	30% ▼
Company I ¹	100% ▲	4 ▼	100% ▲	7% ▶
Company J	100% ▲	3 ▶	60% ▲	10% ▶
Company K	100% ▲	2 ▶	100% ▲	33% ▼
Company L ¹	100% ▲	4 ▶	0% ▶	31% ▶
Company M	100% ▲	2 ▲	100% ▲	13%
Company N	100% ▲	1 ▼	60% ▲	11%
Company O	100% ▲	2 ▲	80% ▲	17%

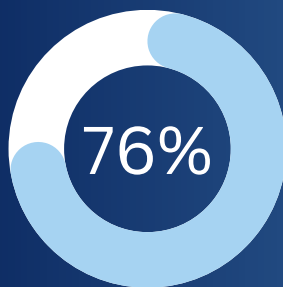
Board Committees

- Audit
- ESG
- Compensation

Corporate Policies

- Code of Ethics
- Whistleblower
- Anti-Bribery
- Cybersecurity
- Conflict of Interest

ENVIRONMENTAL

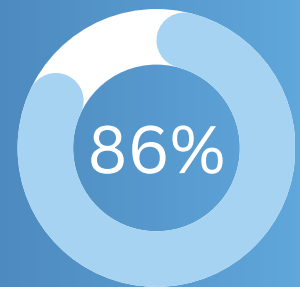


Maintained or Improved Energy Intensity



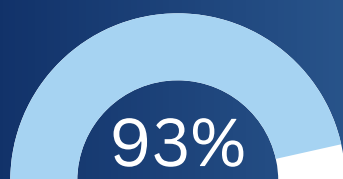
100% of companies Maintained or Improved Gender Diversity

SOCIAL



Maintained or Improved Total Recordable Injury Rate

GOVERNANCE



BOD w/ at least 2 Independent Board Members



22% Average Board of Directors Diversity

TARGET SETTING

It is critical to collect accurate, comprehensive ESG-related data, but without targets and action the data collection is meaningless. As such, the ESG team recommends annual targets based on performance, market trends, and MGC initiatives.

<h2>Environmental</h2>  <p><i>Steward for the environment</i></p>	<h2>Social</h2>  <p><i>Seek partnership in all relationships</i></p>	<h2>Governance</h2>  <p><i>Corporate leadership, transparency, and internal controls</i></p>
<h3>Portfolio Company Key Performance Indicators</h3>		
<ul style="list-style-type: none"> • Energy Intensity • Water Intensity • Carbon Footprint • ISO 14001 Certification 	<ul style="list-style-type: none"> • Employee Wages (\$15/hr minimum & \$25/hr target) • CEO to median pay ratio • Recordable Incident Rate • Women in Workforce • Diversity in Workforce • Turnover 	<ul style="list-style-type: none"> • Board ESG, Audit, and Compensation Committees in Place • Board Diversity • Independent Board Members • Corporate Policy Review
<h3>Portfolio Company Target Setting Recommendations</h3>		
<ul style="list-style-type: none"> • Identify one project per location to target energy, water, or carbon footprint reduction or efficiency • Complete at least 1 ISO14001 certification annually • Identify other projects, targets to improve environmental performance 	<ul style="list-style-type: none"> • Increase wages to \$15/hr & make increases according to \$25/25 action plan • Target industry average or better TRIR and develop actions accordingly • Target industry average Women in Workforce • Target local diversity % • Target industry average turnover 	<ul style="list-style-type: none"> • Establish all board committees (new companies) • Identify at least 2 independent BOD members • Begin measuring BOD diversity • Ensure MGC-required corporate policies are in place • Evaluate supply chain code of conduct needs
<h3>Portfolio Company Support Activities</h3>		
<ul style="list-style-type: none"> • Carbon Footprint measurement support • Energy Contract Bidding • Renewable Energy • Local Project Support • Leak Detection Technology 	<ul style="list-style-type: none"> • Wage Benchmarking • MGC Level Up Safety Audits • Third-Party Machine Guarding and LOTO Audits • Pay Increase and Expense Offset Support • Diversity & Turnover Best Practice Sharing 	<ul style="list-style-type: none"> • Board Committee Charter Templates • Independent BOD member search • Metric tracking support • Policy Template and Legal team support
<p>Regular ESG Committee Meetings w/ MGC ESG Team Third Party ESG Metric Tracking Platform 5 Year Plan and Playbook</p>		

2022 KEY INITIATIVES

1

⚠️ Level Up Safety

During the 2022 year, MiddleGround's Operations and ESG teams partnered to create a critical safety incident response program. Following a series of incidents across the portfolio, we identified a need to gather specific information quickly to provide adequate support and to share that information with the rest of our companies. MiddleGround takes its responsibility as a partner to its portfolio companies seriously and sharing the good AND the bad is what lets everyone improve together.

We rolled the critical incident response program out to our portfolio companies and fortunately have not had many incidents that require need for the program.

However, of the 7 incidents across the portfolio that we did experience, we saw a specific trend. The common theme causing the incidents was one that anyone who has worked in a manufacturing facility would be very familiar with—Lock Out Tagout and Machine Guarding.

As recordable incident rate is one of MiddleGround's core key performance indicators for all portfolio companies, we saw an opportunity to expand our understanding of factors driving safety performance.

The ESG team, Operations team, and Human Capital team partnered to weigh in on the elements of a great safety program.

The group focused on foundational elements, cultural elements, and performance metrics to develop a scoring matrix—the Level Up Safety Program. Depending on the score received, the company is assigned corrective actions and cultural improvement items to support strengthening their safety program.

Since the critical incident response program and Level Up Safety program were rolled out, not only have we been able to identify locations that need additional safety support and investment, but we have seen improvement in both the working environment and performance metrics.

There is always something that can be done to make a workplace safer and MiddleGround takes that responsibility seriously.

2

💰 \$25 by 2025

Early in 2022, MiddleGround announced our \$25/hr by 2025 initiative. After acquisition of each fund investment, wages are raised to \$15/hr minimum for full-time employees. However, as the cost of goods and services increase, generational shifts continue, and the sentiment towards jobs in manufacturing change, it was obvious to MGC that \$15/hr was simply not enough to recruit and retain workers.

\$25/hr minimum is intended to put a \$10 premium on fast food workers to support our belief that we cannot wait for government and policy to make the changes necessary for industry to be successful.

The ESG team then spent time diligently gathering data and benchmarking to determine our path forward for international locations. Using data provided by Willis Towers Watson, the team has been able to find the prevailing wage across the world for manufacturing industry and make comparable wage targets internationally in line with \$25/hr in the United States.

Our portfolio companies are actively developing plans to achieve \$25/hr in their footprints and progress towards these plans is reviewed periodically.



ATTALA STEEL FUND I

Attala Steel, acquired in 2021, was an investment that most Private Equity firms would have passed on. The conditions at the facility needed significant investment and expertise.

MiddleGround saw an opportunity to make real, lasting change for its employees and community. Since Investment, the MiddleGround Operations and Attala teams have been hard at work implementing VCP items to improve the business. The team has focused efforts on employee safety, retention, and environmental and operational efficiencies.



-  New Cafeteria and locker room facilities
-  Roller tables installed to improve ergonomics
-  Improved vacation and time off offerings
-  Improvement of benefit offerings
-  Installment of independent BOD
-  Implementations of MiddleGround Governance Program
-  Safety training and onboarding
-  New air compressors and plant air systems
-  Furnace loading system installation

-  Upgraded peel bar and drive systems
-  Cleaned retention pond and improved process
-  Hazardous waste diverted from landfill
-  Automation SYS improvements
-  Furnace repairs and efficiency updates
-  Machine Guarding updates and installation
-  Roof and wall repairs
-  Longterm wage increases (minimum \$15 an hour) and bonus system



33%

REDUCTION IN ANNUAL TURNOVER

>\$8

INCREASE IN AVG HOURLY PAY

\$3.6M

CAPEX INVESTED

0

EMPLOYEES EARNING LESS THAN \$15/HR

2.86%

INCREASE IN GENDER DIVERSITY

178

DAYS W/O A LOST TIME INJURY (2023)

>20%

ENERGY EFFICIENCY FROM FURNACE UPGRADES

\$192,000

ANNUAL SAVINGS FROM REPURPOSED HAZARDOUS WASTE

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STEEL CRAFT FUND I

An emphasis on human capital investments at facilities in Hartford and Milwaukee, WI have been a focus for Steel Craft Corp. Significant wage adjustments were implemented at the beginning of 2023, taking starting hourly wages from \$16/hour to a minimum of \$20/hour.

Enhancements were also made to employee health benefit offerings and time off benefits. The introduction of a paid volunteer day and enhanced time off benefits allows employees to connect with both community and family. Improvements in employee morale and long-term employee retention have resulted.

42%
REDUCTION IN TURNOVER
2021-2022

26%
FEMALE WORKFORCE



BANNER FUND I

Banner Industries successfully utilized Fluke technology in partnership with Banner Management Company (BMC) to identify compressed air leaks across 5 facilities. By doing so, they have identified 47,587 lbs of excess CO2 emissions, resulting in opportunity for efficiency and reduced environmental impact. The compressed air assessment corrective actions will yield savings of \$3905 annually. The implementation of Fluke enabled us to enhance sustainability and profitability, a win-win for all.

47,587
LBS OF CO2 EMISSIONS
IDENTIFIED IN LEAK AUDIT

\$3,905
COST SAVINGS IDENTIFIED

"We continue to remain focused on ESG related factors in our daily operations. Our team members are excited about the opportunity to continuously improve our company and their efforts are making a difference."

Dan Stoettner, CEO



ALCO FUND I

Alco focused on multiple areas of ESG in 2022, but some of their notable accomplishments include converting sites to 100% LED and installing mist collectors in some of their facilities. The LED lighting projects have resulted in significant energy reduction while the mist collectors have improved air quality and employee morale.

On top of their environmental efforts, Alco is looking to expand the diversity of their workforce by exploring ways to address language barriers in high non-English speaking communities.

12.3%
REDUCTION IN ENERGY
CONSUMPTION



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ARROW TRULINE FUND I

In an effort to increase employee engagement, retention, and overall employee satisfaction, the Arrow Tru-line conducted its first Employee Engagement Survey in 2022. As a result, the team has been hard at work putting the feedback to work including implementing more exposure to leadership through round tables and cookouts, implementing a new employee recognition system, and continuing efforts to improve sustainability.

As part of their sustainability efforts, the Arrow Tru-Line team has been focused on reducing energy cost and integrating renewable energy. Through a partnership with Transparent Energy, ATL was able to transition to 100% renewable electricity at their Archbold, Oh location. As part of this transition, the team also negotiated lower rates resulting in \$240,000 in savings over the lifetime of the contract.



100%

RENEWABLE ELECTRICITY

\$240,000

ENERGY COST SAVINGS

ARROW
MOVING FORWARD

EDSCO FUND I

Texas facility was recently converted to 100% clean energy. The company is also beginning its path to carbon neutral and formalizing a sustainability roadmap that focuses on scrap reduction in the near term.



100%

CLEAN ENERGY

"Throughout MiddleGround's ownership of EDSCO ESG has continued to drive improvements in results and culture. The safety and environmental cultural improvements are integrated into all phases of the business from planning to execution."

Phil Johnson, Interim CEO

EDSCO

LINDSAY PRECAST FUND II

At Lindsay Precast, \$25 by 2025 is fully underway. All full-time employees earn at least \$20/hr. An increase that was made in 2022. In addition to the increase in wages, the team has developed a full roadmap to achieve \$25/25. As a result of their wage increases, the 90 day turnover has decreased by nearly 90%. Overall Turnover has decreased by nearly 50%. Looking forward, Lindsay Precast is also hoping to send out its first employee engagement survey in 2023.



\$20/hr

MINIMUM WAGE FOR FULL TIME EMPLOYEES

50%

REDUCTION IN TURNOVER

LP
Lindsay
PRECAST

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RACE WINNING BRANDS FUND II

Race Winning Brands has spent the last year solidifying ESG into their systems and processes. The team made the decision to hire a dedicated sustainability professional to drive their corporate sustainability programs and the improvements are evident.

The team has focused significant efforts on strengthening diversity, employee engagement, and employee retention. RWB launched its first employee engagement survey in 2022 and has been hard at work assessing benefits, work-life balance, workplace safety, and overall employee satisfaction. As part of this program employees have been encouraged to volunteer in their community and documented 850 volunteer hours in 2022. The team has also developed a diversity showcase program that has been rolled out across the footprint showcasing different diverse groups each month.

In 2022, MiddleGround began a partnership with Gravity Climate to assess decarbonization across the portfolio. Race Winning Brands stepped up to be the pilot portfolio company and went to work immediately. The partnership involved assessing their carbon footprint and outlining steps to find efficiencies and reduce their carbon emissions.

Race Winning Brands has since completed LED lighting at six locations across their footprint. Other locations are currently in transition. As of July 2023, the Mentor location has seen approx. \$82,000 in savings from the LED lighting transition. It is estimated that the whole LED conversion has resulted in a 15-25% reduction in kWh at those sites.

The RWB team has installed their first waste heat recovery system to capture heat produced from the plant air compressors. The heat is then recycled and use to heat the building or water. In addition to saving energy by reducing heating bills, the system has also created more favorable working conditions for employees - especially during summer months. It is estimated that the system accounts for a ~5% reduction in natural gas usage.



5%

REDUCTION IN NATURAL GAS USAGE FROM WASTE HEAT RECOVERY

\$82,000

SAVINGS FROM LED LIGHTING PROJECT AT MENTOR LOCATION

850

VOLUNTEER HOURS

25%

REDUCTION IN KWH ACROSS LED LIGHTING PROJECT



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PLASMAN

FUND I/MOF I



Plasman has set a target to become Climate Neutral by 2028 and has now achieved 49% energy from climate neutral sources. These sources include wind, solar, biomass, geothermal, hydropower, and nuclear.

Plasman is utilizing creative solutions to reduce their carbon footprint. At their Windsor Tooling location, Shipping Door Air Barriers were installed to create a temperature barrier between outside and inside saving 155MWh of natural gas compared to 2021. The Plasman team is also implementing a longterm plan to upgrade HVAC units to more efficient solutions. At the Lawrenceburg, TN location, switching to LED lights has resulted in an energy savings of 2.3M kWh.

49%

ENERGY FROM CLIMATE NEUTRAL ENERGY SOURCES



LAWRENCEBURG, TN

2.3M

KWH OF ELECTRICITY SAVED BY SWITCHING TO LED LIGHTING



SHILOH

FUND I/MOF I



2022 marked a year of great strides for sustainability at Shiloh. The team developed its first complete ESG policy, an ESG strategy, and commitment to work towards the betterment of their people, their customers, and the world.

The team conducted its first materiality assessment and chose 13 areas to focus on. As part of their focus they have set their sights on carbon neutrality across scopes 1 and 2 by 2035. MiddleGround and Shiloh are excited to see their plans put to action in the coming years.

2035

CARBON NEUTRAL TARGET



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NEW EAGLE

FUND II/MOF I

One of New Eagle's core product offerings provides some of the technology needed to convert an Internal Combustion Engine to Hybrid or electric vehicle. Each unit is estimated to save 21 tons of CO₂e over the lifetime of the vehicle compared to a traditional Internal Combustion Engine vehicle.

As New Eagle grows, they are undertaking further lifecycle analysis of their products and expanding efficiencies in their manufacturing process.

21tCO₂e

CO₂ SAVINGS PER
EV/HYBRID CONVERSION



SIXAXIS

FUND II

SixAxis has been focused heavily on improving diversity in their organization. At the end of 2021 the team became a corporate member of Women in Manufacturing and has continued that involvement to day. SixAxis has committed to supporting any employees in joining Women in Manufacturing by covering all membership costs. In addition, SixAxis hosted a Women in Manufacturing event at their Andrews site that was headlined by a visit from the South Carolina Lt. Governor.

SixAxis remains focused on fostering an environment that promotes diversity and an inclusive environment. They currently maintain a gender diversity percentage 25% above industry average.

25%

HIGHER THAN INDUSTRY
AVERAGE GENDER
DIVERSITY*

*compared to architectural and structural metals manufacturing



PETERSON SPRING

FUND I

In 2022, Peterson was pleased to have the opportunity to distribute excess funding from terminated pension plans and make discretionary contributions to the 401k accounts for all eligible employees.

The contributions took place over the course of several months in 2022 and, by the end of the year, approximately 250 employees had received an average contribution of \$3,500.00 into their 401k account.

These discretionary contributions allowed Peterson to not only support the financial well-being and future retirement goals of our employees, but more importantly to recognize the ongoing dedication and contributions of our team members to the success of Peterson Spring.

\$3,500

AVERAGE ADDITIONAL
CONTRIBUTION TO 401K



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PVI FUND II

PVI has recently developed its own internal ESG Statement that includes a core focus on community engagement:

"We encourage our people to give something back to their local communities and surrounding environment, whether it is time, financial contribution, or attention to the way that we work and its impact on the natural environment around us. Our key focus areas are the community, health, education and the environment. It's important that we play our part to build a better world for current and future generations. Our support is delivered through initiatives that:

- Support local communities and those in need;
- Support local initiatives for the development and education of young people in the areas we live;
- Support our environment and reduce our carbon foot print."

To encourage their employees to give back, PVI has started the "Move 2 Help Program" that provides employees 2 paid days per year to volunteer in their community. The team has also donated \$500,000 in support of their "Employee Relief Fund" that provides support following natural disasters (Hurricane Harvey, Hurricane Laura, Hurricane Ida, etc.). A program currently in place at the Setpoint division has donated over \$30,000 to local communities and is currently being replicated across the PVI footprint.



SETPPOINT DIVISION

\$30,000

IN SUPPORT TO LOCAL PHILANTHROPIES

\$500,000

SUPPORT TO EMPLOYEE RELIEF FUND SINCE 2016

2

PAID VOLUNTEER DAYS PER EMPLOYEE



HLC FUND II

HLC takes recycling to a whole new level with their onsite recycling machine. As a bicycle parts and accessories distribution company, packaging goods is critical to their business and with that comes a high demand for packaging materials. By recycling 80% of their inbound cardboard boxes, the company has eliminated the need to purchase additional packing material. The cardboard recycling machine has resulted in an annual savings of \$100,000 to \$125,000 per year at their Levis location.

80%

RE-USE OF ALL INBOUND CARDBOARD



\$100,000

AVERAGE ANNUAL CARDBOARD SAVINGS



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LOOKING FORWARD

We are looking forward to the exciting prospects in our journey towards a sustainable and responsible future. With every step we take, we are committed to making a positive impact on the environment, society, and our bottom line.

In an ever-changing landscape of environmental and social challenges, staying ahead of government regulations has been a core focus of our sustainability strategy. We recognize that compliance alone is not enough; we aspire to be trailblazers in the industry, setting new standards and leading by example.

As part of our commitment to best practices, we are dedicated to aligning our sustainability efforts with internationally recognized frameworks and standards. By working towards adhering to initiatives such as the Task Force on Climate-related Financial Disclosures (TCFD) and the ESG Data Convergence Initiative (EDCI), we aim to ensure our actions are transparent, accountable, and impactful. Both initiatives we target aligning to in the near future.

Innovation has been a driving force in our success, and we will continue to leverage cutting-edge technology to further our sustainability initiatives. From harnessing data analytics to improve resource efficiency in our portfolio companies to investing in renewable energy and clean technologies, we understand the power of innovation in driving positive change.

But sustainability is a collective endeavor, and we recognize the importance of building strong relationships in the industry to promote Environmental, Social, and Governance principles. By collaborating with like-minded organizations, sharing best practices, and engaging in meaningful dialogue, we can create a network of change agents that elevate the entire private equity sector's sustainability performance.

Looking ahead, our commitment to sustainability remains unwavering. We will tackle new challenges with determination and embrace every opportunity to make a meaningful difference. Together, we have an opportunity to create a legacy leaves a lasting positive impact on the planet and society.

Additionally, we are excited to share with you our fundraising efforts beginning in 2023. Committed to pushing the boundaries of sustainable investing, we are proposing that all funds launched in 2023 will be operated in alignment with Article 8 of the EU's Sustainable Finance Disclosure Regulation (SFDR Art. 8). This means that we will be looking to gear our investments towards activities that promote environmental and social characteristics across these new funds.

We believe that sustainable investing is not just an ethical imperative but also a strategic advantage. By aligning with SFDR Art. 8 we would be reinforcing our commitment to transparency and accountability, ensuring that all our investments facilitate a greener and more inclusive economy.

Our goal is to attract like-minded investors who share our vision for a sustainable future and want to be part of the solution. Through our collective efforts, we can drive positive change in the industries we invest in and catalyze a positive ripple effect across the broader financial landscape.

Thank you for your continued support and dedication to our shared vision of a sustainable future.

DISCLOSURES

It should not be assumed that any ESG initiatives, standards, or metrics described herein will apply to each asset in which MGC invests or that any ESG initiatives, standards, or metrics described have applied to each of MGC's prior investments. ESG is only one of many considerations that MGC takes into account when making investment decisions, and other considerations can be expected in certain circumstances to outweigh ESG considerations. Any ESG initiatives described will be implemented with respect to a portfolio investment solely to the extent MGC determines such initiative is consistent with its broader investment goals. There is no guarantee that the evaluation of ESG characteristics will be additive to a strategy's performance. ESG is not a uniformly-defined characteristic and information used to evaluate ESG characteristics may not be readily available, complete, or accurate, and may vary across providers and issuers. Because of the subjective nature of ESG integration, there can be no guarantee that ESG factors considered will reflect that beliefs or values of any particular client.

This material discusses MGC's current efforts to integrate responsible and sustainable investing principles into our investment processes across various investment strategies. The process discussed may not be fully implemented, or may be implemented differently, for each strategy and for each fund. Certain examples are provided herein for illustrative purposes only and are not intended to be representative of MGC's investment process with respect to every investment. The principles related to sustainable and responsible investing discussed herein represent general goals that will not be achieved by every investment strategy and investment team. These goals are not representative of current processes or outcomes for every strategy, and may not be fully realized for all products or client accounts.

Case studies are presented solely for illustrative purposes, are not representative of all transactions of a given type or of investments generally, and are merely intended to be illustrative of the investments that may be made by the funds. There can be no assurance that MGC will be able to invest in similar opportunities in the future. The investments presented herein may have been made under different market, economic and supply-demand conditions than those in which current and future funds will operate, and which may not be replicated. Accordingly, future investments made by a fund may have characteristics that differ from the case studies presented in this section. It should not be assumed that the specific investments presented or referred to herein were or will be profitable or that any investments made in the future will equal the performance of such investments.

Any published third-party rankings, awards, or similar groupings have inherent limitations and qualifications, and are not indicative of the experience of any client or investor or of the future performance of any MGC strategy or fund. There can be no assurance that the universe upon which the awards were based included all investment products that are actually in operation or existence. Unless otherwise specified, all awards shown are based on the year period immediately preceding the date listed.

MiddleGround Capital is a private equity firm that invests in B2B companies in the industrial and specialty distribution sectors in the lower middle market in North America. We are differentiated as true operators who have experience working in and managing businesses that range from the lower middle market to Fortune 500 companies.

We make control equity investments in businesses that can benefit from the hands-on operational expertise we bring to the table. We partner and align ourselves with management teams to execute a customized value creation program that drives equity value back to our investors as well as management.

Our hands on approach, in house operational expertise, and the friendly hard-working demeanor of our team differentiate us from our peers.



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