



Sustainability Report



2024



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A Message from Leadership

My goal as Founding Partner has always been to make a positive impact. Of course, that statement includes my employees, the portfolio, and our investors... but it also encompasses local communities, the environment, and the world. I'm a father of four and grandfather of four, I want the best future for my family and I firmly believe that business leaders will be the ones that drive positive change.

At MiddleGround, we've continued to foster a culture of giving (donating \$1.5M and volunteering 1559 hours in 2023) while reemphasizing our commitment to diversifying finance. However, I'm especially proud of the work our team has done to bring ESG values out of theory and into reality. Any operator will tell you that a big part of the role is change management, ESG is no different. Integrating ESG into a company's practice starts with ensuring that tools are available and easy to digest.

- Portfolio employees are introduced to ESG from day one during our townhall meetings. ESG Committees are established on all of our Board of Directors. We lead on-site reviews to identify and improve operational processes that could be ESG optimized (often saving money or time).
- Third-party providers also act as resources. Our partner Gravity Climate measures carbon footprints and provides actionable decarbonization plans while Transparent Energy utilizes an auction pricing system that can save on energy costs while supporting a switch to renewable energy providers.

Another secret to ESG implementation is to put yourself in the shoes of your portfolio employees. Your priorities as an hourly worker are safety, job security, and pay. These are three areas we made progress in in 2023.

- We executed a full analysis of our safety KPIs across 80+ facilities and scored performance. This metric is revisited on a monthly and quarterly basis, with quantifiable goals set.
- Studies have shown that DEI is essential to building a resilient business. On a quarterly basis, we compare portfolio diversity averages compared to the industry and community.
- Wages are a foundation for employee satisfaction and retention. Our 25 by 25 program aims to increase base wages to \$25/hr, a \$10 premium on fast food workers.

2023 was defined by ensuring that our portfolio is set up for success in ESG by receiving the appropriate training and resources, paired with accurate data collection and actively tracking progress towards goals.



\$3.7B

Assets Under Management



18

Portfolio Investments

MiddleGround Capital Overview

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

Honesty, Integrity, Transparency, Trust, Innovation, Passion, Continuous Improvement, Loyalty, Teamwork, Collaboration, Diversity, Inclusion, Persistence, Opportunity



1st

Sub-Billion Dollar Signatory to UNPRI in Industrials



131

MiddleGround Employees



3

Office Locations



~15,800

Portfolio Employees



2018

Year MGC Founded



\$1.1B










Capital Returned to Investors

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.



 2024 Great Places to Work	 2024 Women Transforming Business - Alicia Motomura CBIZ	 2024 Top PE Innovator of the Year BluWave	
 Best Social Initiative: Management Company 2023 Best Social Initiative: Management Company PE Wire	 Best Corporate Sustainability Strategy: Management Company 2023 Best Corporate Sustainability Initiative: Management Company PE Wire	 Best ESG Firm: Small Cap 2023 Best ESG Firm: Small Cap PE Wire	
 Finalist: Awards 2023 2023 Finalist ESG Investing	 2023 Top PE Innovator of the Year BluWave	 2022 PE Innovators in ESG Mergers and Acquisitions	 2022 Innovator of the Year BluWave

DEI at MGC



36%

Diversity of MGC



52%

Gender Diversity
of Senior
Management



43%

Diversity of
Partnership



50%

Diversity of
Investment
Committee

DE&I efforts were a part of the original plan developed and initiated by the Founding Partners and it is still central to our culture today. We believe that possessing a multi-cultural and gender-diverse team is essential for making good business decisions, and key decisions for the MiddleGround Portfolio must be achieved through consensus.

The diversity of MiddleGround employees is one of our greatest strengths. We celebrate the unique experiences and backgrounds of our teammates and aim to incorporate those values with an inclusive and equitable recruiting process. We encourage our employees to bring their full selves to work, because embracing diversity of our employees makes us better together.



Working in industrials, I can count on one hand the number of female CEOs I've worked with over two decades. In this sector, advocating for DE&I is essential and I'm proud of everything MiddleGround has done to further this cause.

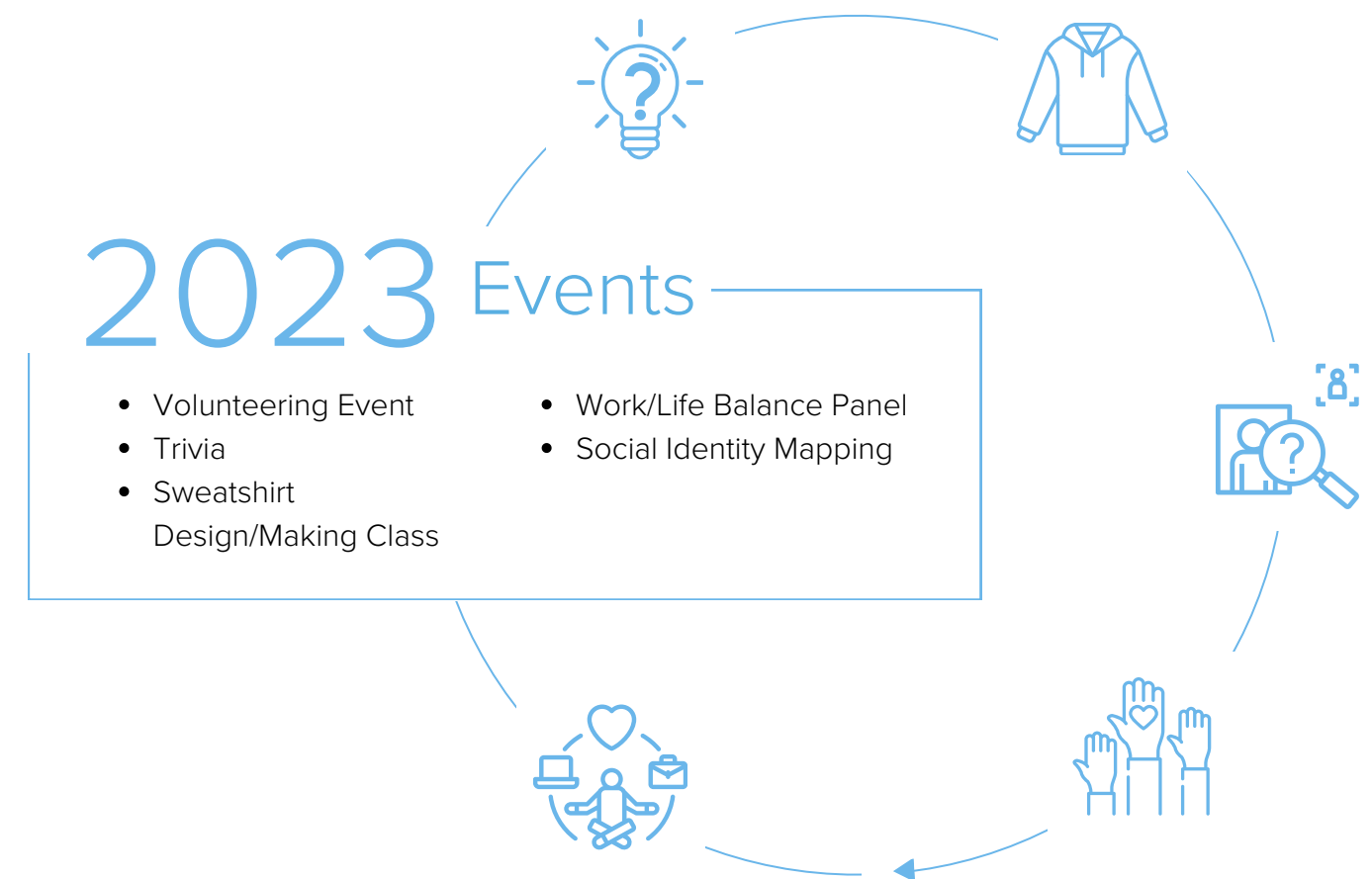
Lauren Mullholland
Partner, Operations and Transaction Team

Women's Wing

Finance is a strongly male-dominated industry, but at MiddleGround we aim to ensure that female excellence is celebrated on our teams. A big part of this is making a space for women to connect and lift each other up while learning from senior female leaders. The MGC Women's Wing aims to provide that space with quarterly events that bring women across our organization together.

The group has sponsored self-defense classes, personal development workshops, educational panels, book clubs, and social events while connecting to other female empowerment organizations in the industry.

We will always champion the women shaping the future of finance!



“

People are our biggest strength because everyone brings a diverse range of skills, experiences, and perspectives to the table. Their collective knowledge fuels innovation, problem-solving, and creativity within the organization. Additionally, motivated and engaged employees are the driving force behind productivity and operational success. Investing in people through training, development, and creating a positive work culture fosters loyalty and commitment, ultimately contributing to the company's long-term growth and sustainability.

Shelby Hundley
Director, Human Capital

“We want our employees to show up to work happy & healthy, which is a part of the reason the benefit offering at MGC is top notch! We acknowledge the rising cost of healthcare and the fact that life happens, so the benefit plan can assist to lower stress levels, save an employee money and allow them to be the best version of themselves both in and out of the workplace!”

Sarah Cole
Associate, Human Capital

“MiddleGround enables you from Analyst level to work directly with senior employees during the day-to-day work and projects. Here, your potential is recognized, your contributions are valued, and your career is priority.”

Gwen ver Scherpenseel
Associate, Human Capital

“Our culture empowers employees to engage in challenging, collaborative, and impactful work, all while embracing their most authentic selves—alongside their dogs”

Karyn Blunt
Senior Associate, Human Capital



Reflecting on Recruiting

“

Our internship program has experienced exponential growth, becoming a cornerstone of our talent acquisition strategy. A key indicator of our success is the high rate at which interns transition to full-time roles, thanks to the comprehensive training and real-world experience they receive. Central to this success is our robust mentorship initiative, pairing interns with experienced mentors who provide invaluable guidance. Additionally, our program prepares interns for diverse business opportunities beyond our organization, equipping them with essential skills and networks.

Melissa Gee
Associate, Human Capital



87

MGC Interns
since beginning
of program

2023

\$1,503,517
Donated

1,559 hours
Volunteered

2022

\$1,338,663
Donated 893 hours
Volunteered

2021

\$1,037,895
Donated 270 hours
Volunteered

Building a Culture of Giving



Establishing a charitable foundation and an employee donation matching program not only amplifies our impact on the causes we care about, but also strengthens our ties to the community, fostering relationships built on shared values and collective action.

Madelyn Tutewiler
Director, ESG

Foundation

The MiddleGround Charitable Foundation was established in July of 2023. The foundation is committed to supporting 501(c)3 organizations through grant making and community service activities. We are focused in protecting the environment, improving social welfare, combatting community deterioration, educating the public, and providing relief to the poor and distressed.





Foster Medical

- Concierge Medicine (to include primary care, longevity, and hormone replacement)
- Executive Health Screenings (MRI, CT, and Galleri testing)
- Health Coaching
- Body Composition Testing

Health and Wellness

MiddleGround cares deeply about its employees and their health and wellbeing. Fostering an environment that is both fun, relaxing, and conducive to getting the work done is the mission of our wellness team! To support this mission, we have a number of perks and offerings available to employees and their families.

Onsite offerings

- Gym (personal training and classes also available)
- Yoga Studio (Interactive “mirror” for on-demand coaching and classes also available)
- E Bikes (for use on nearby Legacy Trail)
- Cryotherapy
- Wonder Machine
- Massage Therapy (sessions offered monthly)
- MGC Sports (seasonal games/competitions to include flag football, basketball, ping pong, cornhole, golf simulator scramble, bocce)

Kitchen/Café

- Mostly healthy offerings include breakfast, lunch, dinner, and snacks. Café is open for specialty coffees, teas, smoothies, and sandwiches.

Meet Chef and the Wellness Staff



Chef John Schweder

Chef has been working in the culinary industry since 1987! After graduating from the French Culinary Institute, he trained in NYC, Sonoma CA, and has owned his own restaurant and a wholesale wine and liquor company.

Kim Dunham

Kim attended Auburn University, where she earned a Master's degree in Sports Nutrition and was an All-American swimmer. She is also a certified National Strength and Conditioning Specialist.



Sierra Williams

Sierra attended The University of Louisville where she earned a Bachelor's degree in Exercise Science. She is focused improving the mental and physical wellbeing of employees within the company by providing programs, support and access to gym/wellness equipment.



ESG Team



ESG Mission

Leave everything better than we found it.

ESG Vision

MiddleGround Capital will be the partner of choice in the lower middle market manufacturing and specialty distribution space for investors and companies to sustainably transform businesses for the future.

Goals of the MGC ESG Team Strategic Plan

Enhance Stewardship, Lead from the Front, Impact without Sacrifice, Best in Class Governance, Build a Culture of Sustainability

Core MGC ESG

- ESG Policy
- Dedicated ESG Team
- PRI Signatory
- ESG Onboarding - Firm Employees & New Acquisitions
- ESG Metric Dashboards
- ILPA DEI DIA Signatory
- ESG Committee Established at all Portfolio Companies
- Annual Portfolio Company ESG Target Recommendations
- ESG Incorporation into Value Creation Plan
- ESG Evaluation during diligence
- Defined ESG KPIs
- Firm ESG Committee

The Team



Kelly Myers
Managing
Director,
Operations



**Madelyn
Tutewiler**
Director, ESG &
Marketing



**Jonathan
Dressman**
Associate



**Sean
Courtney**
Analyst



When mapping out MiddleGround's Fund III, Mobility II, and Industrial Revolution Fund (IRF) SFDR Article 8 Alignment Indicators, the team naturally looked to the UN Sustainable Development Goals as a foundation. The team selected 9 of the 17 SDGs to focus our efforts and develop measurable indicators to determine alignment:

Environmental

- SDG 6: Clean Water and Sanitation
- SDG 7: Affordable and Clean Energy
- SDG 12: Responsible Consumption and Production
- SDG 13: Climate Action

Social

- SDG 1: No Poverty
- SDG 3: Good Health and Wellbeing
- SDG 4: Quality Education
- SDG 5: Gender Equality
- SDG 8: Decent Work and Economic Growth

Each indicator has specific criteria that a portfolio investment must meet to be considered aligned with our Article 8 Criteria.

Sustainable Finance Disclosure Regulation

MiddleGround's newest Funds are all EU Sustainable Finance Disclosure Regulation Article 8 aligned. As one of MiddleGround's core ESG initiatives is to establish programs at its portfolio companies and set them on a path to be successful and ahead of competitors in their ESG efforts, the team felt that Article 8 was most aligned with these goals.

Integrating SFDR into our ESG screening, diligence, and hold processes was relatively seamless and added another layer of confidence for our investment committee when making investments.



ESG Integration Cycle



Diligence

Pre-LOI

- MGC Team assesses baseline ESG KPI data
- Identify material ESG factors for deep dive
- Screen for SFDR E/S Characteristics
- Present findings to IC

Post-LOI

- Third party deep dive review of ESG materials
- Interviews w/management team
- Identify risks and opportunities
- Outline ESG 5-year hold plan w/transaction team
- Present findings to IC

Exit

Exit Preparedness

- Accurately represent ESG practices
- Verify and report ESG data
- Incorporate relevant ESG information into CIM/MP
- Close out any outstanding environmental remediation, as necessary

On Boarding

Close + 30 Days

- Management team general introduction to ESG
- Establish key contacts for reporting
- Review diligence findings with management team

Close + 90 Days

- Establish ESG Committee
- Onboard to data reporting platform
- Educate on governance expectations
- Review and finalize ESG 5-year plan

Hold Period

Post Onboarding

- ESG incorporation into annual Hoshin process
- Regular reporting of KPIs to Operations
- ESG Committee reporting
- BOD reporting
- Annual ESG KPI target setting
- Incorporate company activities into MGC sustainability report

ESG Training

In 2023, MiddleGround partnered with Malk Partners to launch firmwide ESG trainings beyond onboarding for each employee. The trainings took a dive into current ESG trends in private equity, MiddleGround's specific ESG policy and processes, regulatory requirements, ESG considerations during diligence, ESG integration into day to day portfolio activities, and common issues seen across the portfolio.

A deep dive training was required for all investment facing employees with a higher level training for back office personnel.

Refresher trainings are being developed and are planned to be offered on an annual bases. Refresher trainings will ensure investment employees are kept up to date on current and emerging trends, new fund requirements, and updates to the ESG policy.

The MGC ESG team takes great pride in the time spent working with investment facing professionals keeping everyone in lock step with current ESG opportunities and challenges both at the firm and portfolio level.



ESG Governance & Policy at MGC

MiddleGround Core ESG KPIs

Environmental

- Energy Usage/Intensity
- Water Usage/Intensity
- Carbon Footprint
- ISO 14001 Certifications

Social

- Employee Wages
- CEO to Median/Lowest Wage
- Recordable Incident Rate
- Gender Diversity
- Racial Diversity

Governance

- Board Committees
- Independent Board Members
- Board Diversity
- Corporate Policies

MiddleGround's ESG Policy, in place since 2019, outlines our application of the Principles for Responsible Investing through diligence, portfolio engagement, and disclosure of our practices. The policy, which is reviewed annually, saw revisions this year that included further definition of our process for engaging portfolio companies through data collection and ESG board committees, integration of SFDR requirements for three new funds, and additional information on our integration of climate and carbon measurement methodology.

The goal of the ESG team is to continuously improve and further define how we approach and integrate ESG into day to day interactions at the portfolio level as well as overall strategy of the firm.



5 Year Plan & Stewardship

As the MiddleGround ESG program has grown in the last three years, one area for improvement was identified in stewardship and portfolio company planning and support. As part of the ESG Strategic Plan, the team developed Portfolio Investment 5 year plans that include an ESG playbook. The 5 year plan was developed and put in place to facilitate helping each portfolio company identify areas that are most material to them to focus their ESG efforts and thoughtfully plan tangible activities to drive improvement.

The ESG Playbook that accompanies the 5 year plan template includes over 300 initiatives that portfolio companies can utilize to achieve their ESG goals. In addition to the playbook, we also provide them with a rolodex of third parties that can support and provide necessary expertise in their respective areas. The 5 year plan is reviewed in addition to ESG KPIs and targets regularly to track progress and adjust when necessary.

Portfolio Investment Target Setting

As part of each portfolio investment hold period and engagement with the MiddleGround ESG team, annual targets are recommended that align with the core ESG KPIs. Recommendations include setting annual targets to improve environmental performance with requirements in energy consumption/intensity and ISO 14001 implementation. The team also recommends that each team evaluate at least one other area of environmental performance for improvement, allowing the management team opportunity to evaluate and select an area that is most material to the business. These areas may include water consumption/intensity, waste, etc.

Under social target setting guidance, targets are recommended that include requirements in improving safety performance, turnover, and diversity. Performance target ranges are recommended based on current performance compared to industry benchmarks. Additionally, the team must have a plan in place to achieve 25 by 25 and make continuous improvements YOY.

Finally, in the governance category, each portfolio investment is required to establish three committees on their Board of Directors - Audit, Compensation, and ESG; two independent board members are required for each portfolio investment, and 5 ESG specific policies are required - Code of Ethics, Whistleblower, Conflict of Interest, Anti-Corruption, and Cybersecurity (these are not all policies required by MGC). As part of annual target setting, the MiddleGround ESG Team has put forth recommendations for each team to conduct annual employee engagement surveys, implement improvements based on results, and gain more employee participation year over year.



Energy Efficiency & Decarbonization



CLIMATE ACTION



CLEAN WATER AND SANITATION



AFFORDABLE AND CLEAN ENERGY



INDUSTRY, INNOVATION AND INFRASTRUCTURE



RESPONSIBLE CONSUMPTION AND PRODUCTION



MiddleGround's Approach to Climate

Climate considerations are integrated into MiddleGround's overall approach to ESG through our core KPIs (Energy, Water, Carbon Footprint), diligence, and interactions with our portfolio investments.

During due diligence, in partnership with Malk Partners, MiddleGround assesses exposure to climate-related risks through analyzing sustainability data, geographic & sector considerations, legal & regulatory trend consideration, and conducting materiality assessments. If material risks are identified, they may be flagged in the investment memo, highlighted as a focus area in long-term strategic planning, and/or, if it is determined that the capacity to manage the risk is too high, MiddleGround may withdraw from a potential investment.

Post-acquisition, the Portfolio Company ESG Committee kicks off carbon footprinting and begins developing a long-term strategy, as part of their 5 year planning process, to address identified climate-related risks and opportunities over the hold period. Their plan may include specific reduction targets, projects related to energy efficiency and/or decarbonization, or aligning to broader frameworks. The team will review progress towards targets, emerging trends, risks, etc. related to ESG and climate in quarterly ESG Board Committee Meetings.



100%

Portfolio Investments
Calculating Carbon
Footprint
(Scope 1 & 2)

Gravity Climate Partnership

MiddleGround began partnering with Gravity Climate in 2023 to measure carbon footprints and explore decarbonization. They support each of our portfolio companies in measuring scope 1 & 2 emissions as well as mapping out a pathway to collecting meaningful scope 3 emissions.

In the last 18 months, MiddleGround has seen a significant uptick in requests for carbon emissions data from both LPs and portfolio investment customers. Gravity has been critical in our ability to support the needs of our portfolio investments and Limited Partners. What set Gravity apart as a climate solutions partner was their ability to not only measure emissions, but also define tangible action items that our portfolio investments can prioritize to reduce their climate impact.

At MiddleGround, we aim to not only measure, but find ways to equip management teams with decision useful information.



Lindsay Precast

- Acquisition: November 2021
- Sector: Industrials
- Lindsay Precast produces sanitary and storm sewer products, electrical and telecom utility products, solar inverter skids and ballast bases, box culverts and bridge products, and various other products

Lindsay Precast has spent the last 2 years working to integrate new technology into their precast concrete processes. This technology would allow them to inject carbon into their concrete mixing process reducing the cement content and capturing the carbon. After many series of trials and tests, the LPC team has been able to inject carbon into the concrete mixture, reducing the cement content by 6% or 48lbs of cement per yard of concrete. During the first quarter of utilizing this new technology, the LPC Dacona facility was able to reduce the carbon footprint of their concrete through cement reduction alone by nearly 30tCO₂e. Lindsay plans to continue testing and expanding their CarbonCure use to additional facilities in 2024.



PVI Holdings

- Acquisition: July 2022
- Sector: Flow Control Distribution
- PVI is a market leading flow control distributor focused on serving MRO applications across marine, chemical, downstream energy, and other industrial end markets.

At one of their facilities, it was identified that there were opportunities to better manage energy consumption related to temperature control. The team installed smart thermostats reducing their electricity consumption by over 10% and natural gas consumption by 96%. Overall they saw an annual savings of over \$16,000 at one facility with plans to implement further across their footprint. As a newer investment in the MiddleGround portfolio, PVI has hit the ground running on initiatives related to ESG and sustainability.



~30tCO₂e

From Cement Content Reduction



10%

Reduction in Electricity Consumption



\$16,000

Annual Savings



2

ISO14001 Certifications
Achieved in Q1 2024



SixAxis

- Acquisition: November 2022
- Sector: Worker Safety / Access Solutions
- SixAxis offers highly differentiated, patent-protected suite of customizable and modular solutions, purpose-built to address companies' safety and productivity challenges.

2023 was a very active year for the SixAxis team for ESG activities. Their focus on manufacturing products that improve the safety of employees is just the beginning of their ESG initiatives. The team began setting up ISO14001 Environmental Management Programs and identifying energy efficiency opportunities. SixAxis has integrated 100% renewable natural gas at one of their manufacturing facilities. ISO14001 certifications were awarded at their West Chester and Andrews facilities in Q1 2024. Finally, the team has been working through LED lighting upgrades across their facilities as an ongoing efficiency effort.



DURA/Shiloh

- Acquisition: August 2020
- Sector: Automotive
- Dura is a global designer and manufacturer of highly engineered automotive systems. It operates through its mechatronics, lightweight structures and exterior trim segments

DuraShiloh has been focused on sustainability well before their acquisition by MiddleGround. The team has robust tracking, regularly takes on new initiatives, and continues to see new requests from customers and suppliers for ESG information. DuraShiloh has been reporting to CDP, the Carbon Disclosure Project, in an effort to be transparent about their carbon footprint, meet the needs of customers and suppliers, and stay ahead of the curve in their industry. Each year they receive a score based on their carbon footprint and score, and we are happy to announce that the team received a B- for the 2023 reporting year!



B-

2023 DuraShiloh
Carbon Disclosure
Project Score



Banner Industries

- Acquisition: December 2019
- Sector: Metal Processing, Metal Distribution
- Banner Industries is a leading processor and distributor of metal bar products for a diverse set of industrial, medical, and aerospace end markets.

Banner has seen energy and water intensities steadily decline year over year. This has been a direct result of their team's focus on continuous improvement and finding the next opportunity to address inefficiencies or areas for improvement when it comes to ESG and sustainability. At the Banner Warsaw facility, it was identified that automatic valves were not working properly, leading to a spike in their Q4 2022 water usage. After identifying the issue and cause, the team updated the valves to ensure excess water was not being used. To further the water conservation efforts, the team also assessed leaks and identified the need to replace hydraulic hoses, fittings, and collections on 26 slitters at a Tennessee facility due to leaks resulting in excess water usage.



Plasman

- Acquisition: October 2021
- Sector: Automotive
- Plasman is a leading global manufacturer in bumpers/fascia, grilles, exterior trim and subsystem components.

Plasman has always been a standout company in the MiddleGround portfolio in terms of ESG. There is a strong sustainability team in place and they are constantly on the lookout for new and innovative ways to improve their sustainability program. In 2023, the team focused on water, specifically, water used in their paint lines. By utilizing process waste water instead of fresh city water to maintain tank levels, the team was able to save over 72,000 gallons of water of fresh city water per day at their Tecumeseh plant. A similar project that adjusted the number of stages fed by city water was implemented at their Tilbury facility resulting in 3.34 million gallons of water saved each day.



3.4M

gallons of water savings per day



“

Increased focus on sustainability can no doubt drive immediate efficiency and profit enhancements — but we also believe it is bolstering our portfolio companies' competitive positions over the longer-term as its benefits get passed along to valued customers as reduced cost inflation.

Justin Steil, Partner

Health and Safety

MiddleGround takes the safety of our employees very seriously. In 2022 we identified a need to do a deep dive into the safety at our portfolio companies. With the goal to better understand the foundational elements of each specific safety program, their safety culture, and safety performance, in 2023, we deployed two third party groups, Ensafe and Banner Management Consulting, to conduct assessments. Over 80 portfolio locations were assessed with over 1200 findings identified and corrected. This program, called Level Up Safety, is in the process of the next round of assessments and follow-up reviews. In addition to the assessments in the field, safety is monitored during portfolio operational meetings, quarterly during ESG committee meetings, and targets are set annually at each portfolio company.

Our commitment to employee well-being not only safeguards their health but also strengthens our overall productivity and morale, reflecting our core values of responsibility and care.



DECENT WORK AND
ECONOMIC GROWTH



Arrow Tru-Line

- Acquisition: September 2021
- Sector: Building Products
- Arrow Tru-Line is an independent manufacturer and supplier of structurally critical overhead garage door hardware components.

Arrow Tru-Line utilized the Level-Up Safety program across their footprint to re-emphasize safety and bolster their commitment to taking care of employees. With the heavy focus on safety including re-emphasizing their “Stop-Call-Wait” program, which requires team members to call for help when anything abnormal happens on the manufacturing floor, the team has seen significant improvements in their injury rate from 2022 to 2023. The team saw nearly 6 months without a recordable injury for the first time in company history and reduced their TRIR by over 50% year over year.



~6mo

Recordable
Injury Free



>50%

Reduction in
TRIR from
2022 to 2023



Attala

- Acquisition: December 2020
- Sector: Infrastructure
- Attala Steel Industries is a leading manufacturer and distributor of specialty steel foundation components for ground-mounted utility-scale solar PV installations.

After visits from Ensafe and Banner Management Consulting as part of the Level-Up Safety program, Attala spent 2023 putting corrective action into place to improve their safety program. The team installed machine guarding, improved processes, focused on hand safety as a high risk opportunity, and retrained the entire workforce.

As a result of their dedicated efforts to improving safety, the Attala team saw a 50% reduction in their Total Recordable Injury Rate.



50%

Reduction in TRIR from
2022 to 2023



~70%

Reduction in TRIR from
2022 to 2023



Steel Craft

- Acquisition: May 2019
- Sector: Metal Fabrication, Welding, Stamping, Painting/Coating
- Steel Craft is a leading contract manufacturer providing fabrication, welding, coating, and stamping services to a diverse range of industrial OEM customers.

After completing their Level Up Safety audits, the Steel Craft team conducted LockOut TagOut refresher trainings, created and implemented safety teams at their different manufacturing locations, and began reviewing their EHS compliance calendar to adequately allocate resources for different initiatives. The team also worked through the development and roll out of a new hazard and risk identification program, standardizing safety policies and practices across manufacturing plant locations, and created a 3-year strategic plan for standardization and implementation.

The team saw significant performance improvements as a result of their efforts translating to a reduction in TRIR of 70% from 2022 to 2023.



6%

Increase in racial diversity at Alco



DEI in the Portfolio



At MiddleGround, we place a high value on Diversity, Equity, and Inclusion (DEI) within the firm and our portfolio investments. Recognizing that many of the industries we invest in traditionally lag behind in DEI initiatives, we see a significant opportunity for transformative change. By prioritizing DEI, we unlock a wealth of diverse perspectives that lead to more innovative ideas and robust decision-making processes. Our commitment to fostering inclusive environments within our portfolio companies not only drives social progress but also enhances business performance and resilience. We are dedicated to guiding our investments towards meaningful DEI advancements, believing that this focus will yield sustainable growth and long-term success.

DEI is reviewed quarterly in our ESG Committee meetings and we challenge our portfolio companies to get creative in looking for new employees, strengthening their internal practices, and to dive deeper than industry averages and look at their local communities. We have asked our portfolio companies to set annual targets to improve DEI and set programmatic initiatives to achieve these targets.



Alco

- Acquisition: July 2018
- Sector: Precision Machining
- Alco is the leading manufacturer of hydraulic connectors for the industrial and consumer end markets.

Alco saw an opportunity to review their hiring and recruiting practices to attract and retain more diverse talent. This included evaluating a new facility against local bus routes to ensure the location was accessible to a more diverse population.

As a result of their focus, the team has seen a 6% improvement in the racial diversity of their workforce since being acquired by MiddleGround. In addition to focusing on recruiting, the team has also looked at retention practices and has included more philanthropy initiatives across their footprint. The team has also implemented a new wellness program for employees.



New Eagle

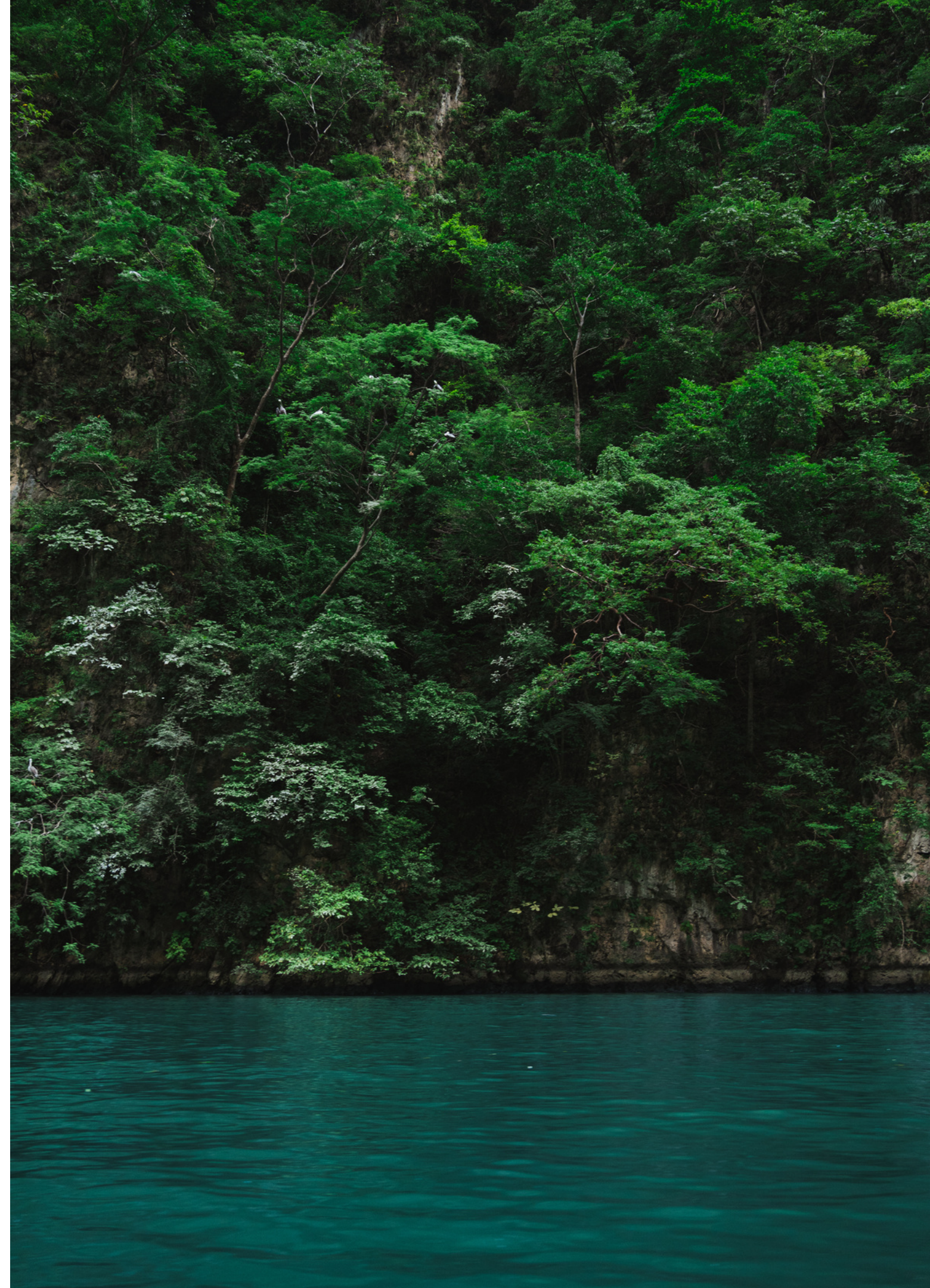
- Acquisition: November 2021
- Sector: Automotive
- New Eagle provides proprietary hardware and software technology solutions that are mission-critical for the development of mechanical control systems for a variety of applications, including autonomous and electric vehicles.

New Eagle, has been focused on attracting more diverse talent. Given the more technical and specialized nature of their predominantly engineering focused business, the team has turned toward local universities. The New Eagle team has started an on campus recruitment initiative with significant emphasis on attracting women and minority applicants. The team has sent executive level female business and engineering leaders to represent the organization on campuses to speak with students. These efforts have led to a 2023 intern class that was 31% racially diverse and 12.5% female.



31%

Racially diverse
intern class in 2023



Wages, Employee Engagement, & Turnover

In today's challenging labor market, businesses must prioritize their most valuable asset – their employees. Ensuring competitive living wages is fundamental to attracting and retaining top talent, reflecting our commitment to their well-being and financial stability. Engaging employees through meaningful work, professional development opportunities, and a supportive work environment fosters loyalty and satisfaction. By reducing turnover, we maintain a skilled and experienced workforce, which is crucial for sustaining operational efficiency and achieving long-term success.

In this demanding economic climate, our focus on employee care and engagement is not just a strategy, but a necessity for thriving in the competitive landscape.

MiddleGround's portfolio investments have been hard at work implementing our 25 by 25 initiative, conducting annual employee engagement surveys, and find new and creative ways to reduce turnover.



Arrow Tru-Line

- Acquisition: September 2021
- Sector: Building Products
- Arrow Tru-Line is an independent manufacturer and supplier of structurally critical overhead garage door hardware components.

After conducting an employee engagement survey in 2022, Arrow Tru-Line identified recognition and feedback as their lowest rated categories by their employees. The management team immediately put plans in place to address employee concerns. As a focus area in 2023, the team began holding monthly roundtables between supervisors and HR, launched an employee recognition program through service provider Awardco, and created an employee appreciation committee equipped with a calendar of events and “Be Kind” campaign. The ATL team has seen dramatic improvements to their turnover rates and plans to continue identifying new opportunities for improved employee engagement.



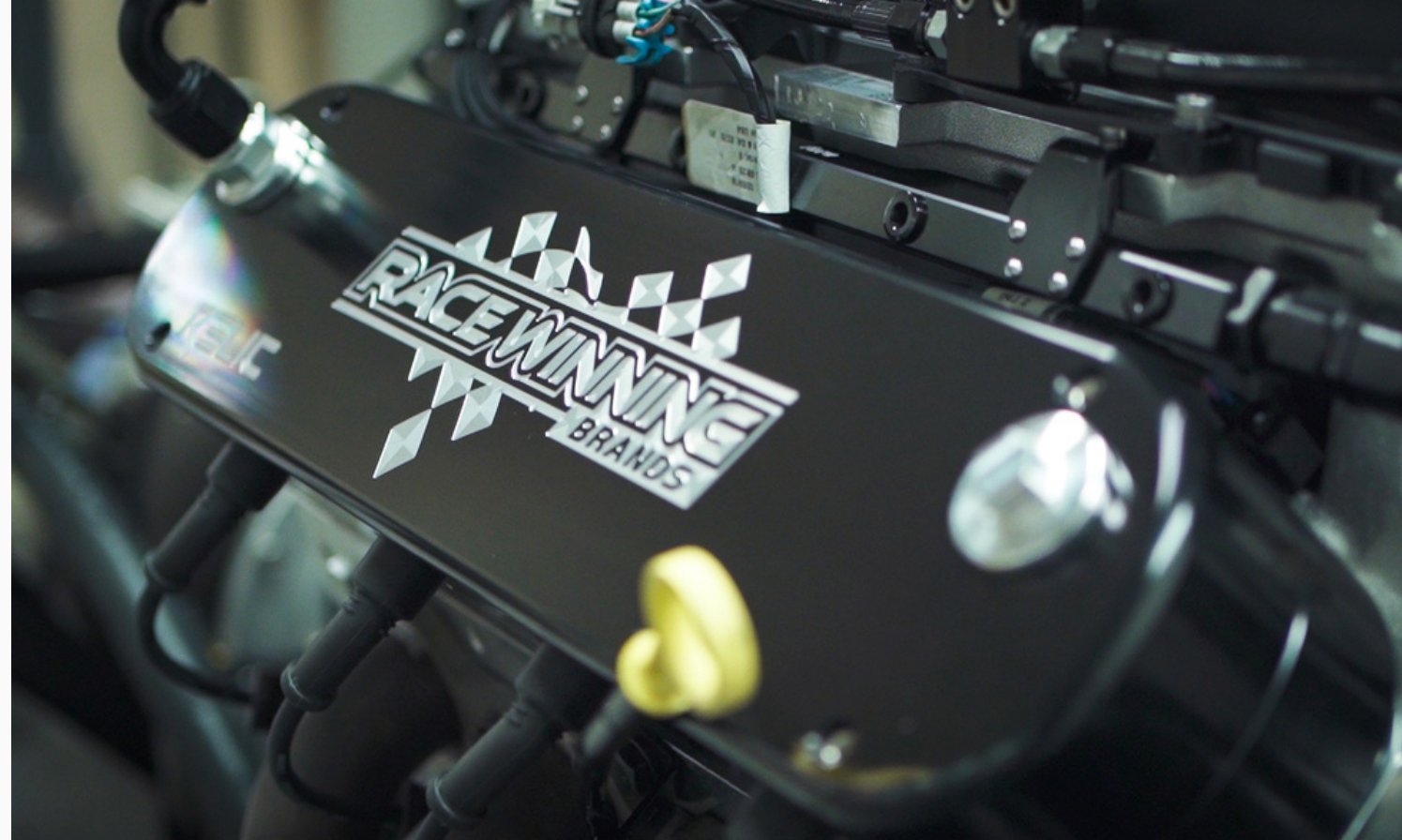
25 by 25

25 by 25, announced in 2022, is an initiative across the MiddleGround portfolio to raise base wages to \$25/hr or the country equivalent. The basis for this project has been rooted in the idea that our manufacturing worker should be paid a \$10 premium to fast food workers.



42%

Decrease in Employee Turnover since Acquisition



HLC

- Acquisition: September 2022
- Sector: Bicycle Parts and Accessories Distribution
- HLC is a leading North American bicycle parts and accessories distributor with a product portfolio of over 21,000 SKUs across 170+ brands. The Company distributes to over 5,500 independent bicycle dealers and other OEM manufacturers.

HLC conducted their first employee engagement survey in 2023. After reviewing results, they implemented regular townhall meetings with management. HLC also has a notable program to help disadvantaged members of their community. HLC works with local schools to give internships to students that would likely not otherwise have many opportunities. These interns are tasked with label application, cardboard shredding, order picking, and other warehouse duties. Since the program's inception, two interns have graduated to full-time employment status as part of their shipping department and working to lead the disadvantaged employee program for its current members.



>50

Disadvantaged Employee Interns since the beginning of the program



Race Winning Brands

- Acquisition: November 2021
- Sector: Automotive
- Race Winning Brands is the leading manufacturer and marketer of racing and high-performance engine components sold to the automotive and powersports markets.

Race Winning Brands refreshed and rolled out a robust employee engagement program including a focus on philanthropy, cultural enhancement, and DEI. The initiative included employee led and driven philanthropy initiatives, an updated employee wellness program, monthly focus topics like Black History Month, and environmental initiatives around Earth Day. The team has also joined Women in Manufacturing and created a resource group for access to educational resources and monthly features of women across the organization.



38%

Reduction in Employee Turnover since Acquisition

Portfolio ESG Metric

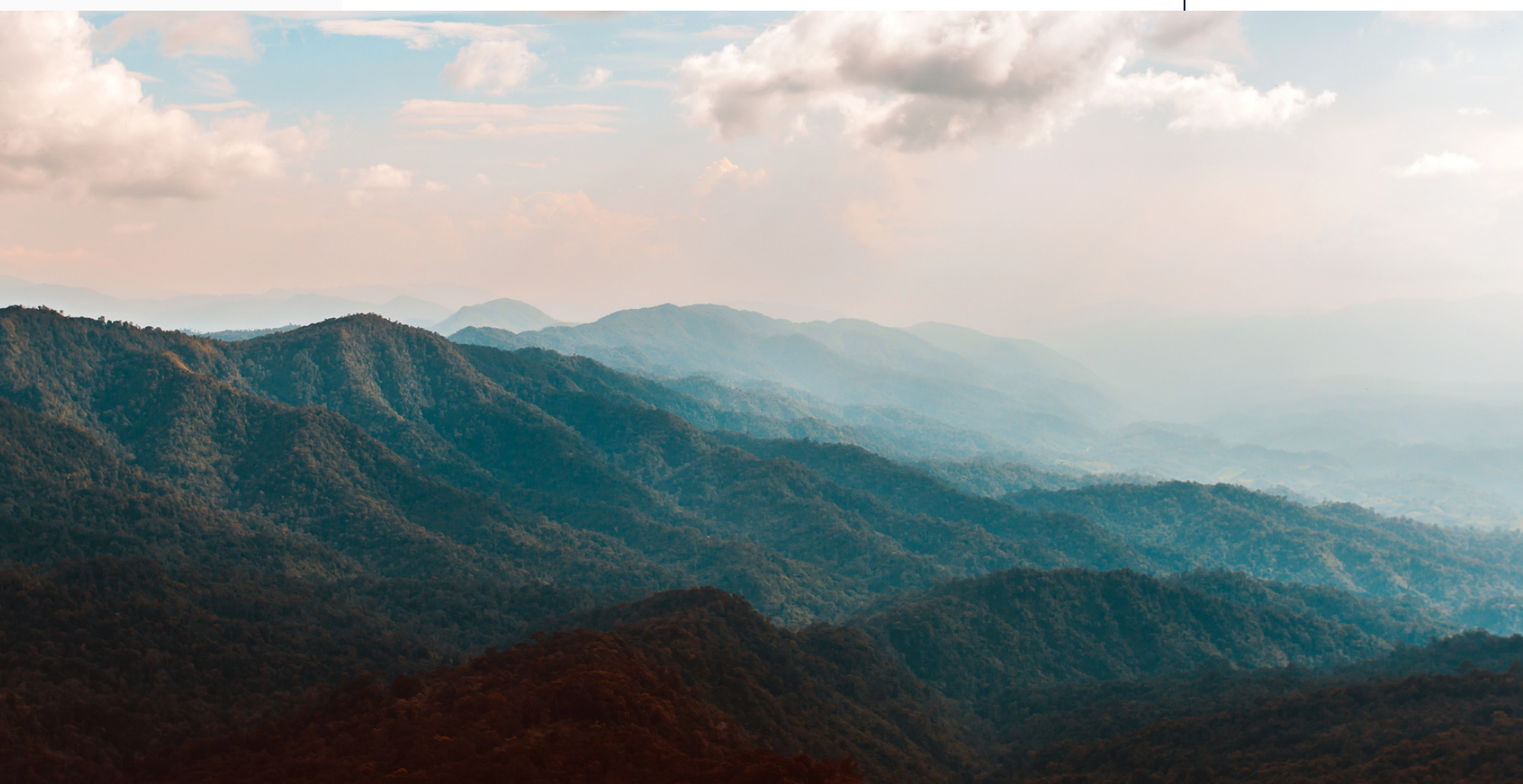


6

New Locations
Achieving ISO 14001
Certification in 2023

Graph Key

- ▲ Increase
- ▼ Decrease
- ▶ No Change
- No Previous Year Data



Environmental Metrics

Company	Energy Intensity		Water Intensity		Carbon Footprint (Scope 1 & 2)		ISO 14001 Certification
	kWh/Rev.		gal/Rev.		tCo2e		% locations
Company A	0.154	▶	0.039	▲	7,275	▲	43% ▲
Company B	0.053	▲	0.045	▲	13,547	▲	100% ▲
Company C	0.018	▲	0.005	▲	6,184	▼	0% ▶
Company D¹	0.105	▲	0.074	▼	65,666	▲	73% ▼
Company E	0.050	▼	0.150	▼	13,445	▼	0% ▶
Company F	0.022	▼	0.003	▶	2,024	▼	0% ▶
Company G¹	0.110	▲	0.071	▲	44,900	▼	94% ▲
Company H¹	0.170	■	0.102	■	9,409	■	75% ■
Company I	0.061	▲	0.023	▲	10,182	▲	0% ▶
Company J	0.016	▲	0.018	▲	2,632	▲	0% ▶
Company K¹	0.036	▼	0.004	▼	479	▼	0% ▶
Company L	0.017	▶	0.008	▼	5,859	▲	*10% ▶
Company M	0.011	▶	0.003	▼	123	▼	0% ▶
Company N	0.021	▶	0.010	▲	2,678	▼	67% ▲
Company O	0.047	■	N/A	■	606	■	0% ■
Company P¹	0.080	■	0.020	■	187	■	0% ■

*Misreported % of locations ISO14001 certified in previous year
1 Mobility Opportunity Fund Investment

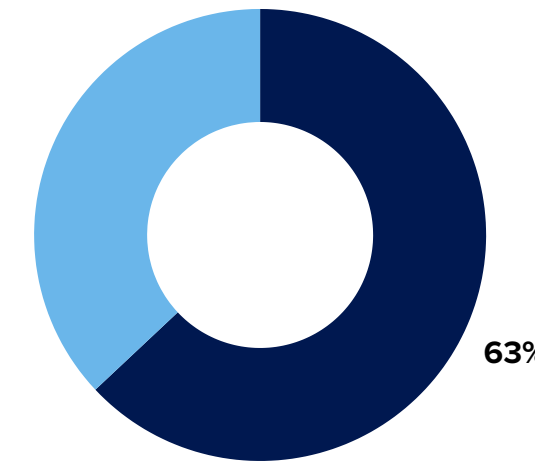
Social Metrics

Company	Total Recordable Injury Rate (TRIR)	Turnover	Gender Diversity	Racial Diversity	Employees <\$15/hr	Employees <\$25/hr	CEO to Median Pay
Company A	3.54 ▼	34% ▼	16% ▼	20% ▲	0 ►	315 ▲	9.56 ▼
Company B	4.76 ▼	42% ▼	25% ►	43% ▲	0 ►	301 ▼	8.89 ▲
Company C	2.89 ▼	20% ▼	24% ▲	47% ▼	0 ▲	318 ▼	**9.87 ▲
Company D¹	0.81 ▲	60% ▼	29% ▼	7% ▼	0 ▲	449 ▲	17.33 ▼
Company E	3.94 ▲	129% ▼	15% ▲	24% ▲	0 ►	32 ▲	12.30 ▼
Company F	2.36 ▲	33% ▼	36% ►	19% ▲	0 ►	120 ▲	10.64 ▼
Company G¹	2.00 ▲	47% ▼	41% ▲	18% ▼	0 ▲	705 ▲	9.50 ▲
Company H¹	23.32 ■	19% ■	45% ■	11% ■	0 ■	64 ■	18.00 ■
Company I	1.56 ▲	29% ▼	21% ▼	28% ▼	0 ►	528 ▲	6.30 ▲
Company J	4.24 ▲	48% ▼	10% ▲	31% ▲	0 ►	163 ▲	8.15 ▲
Company K¹	0.00 ►	17% ▼	14% ▼	26% ▲	0 ►	0 ▲	3.80 ▼
Company L	0.64 ▲	16% ▼	21% ▲	28% ▲	0 ►	259 ▲	11.00 ▼
Company M	7.24 ▼	50% ▼	38% ▲	14% ▲	0 ►	30 ▲	24.34 ▼
Company N	0.48 ▲	34% ▼	18% ▼	25% ▼	0 ►	178 ▼	7.39 ▼
Company O	8.42 ■	7% ■	17% ■	49% ■	0 ■	29 ■	8.13 ■
Company P¹	1.80 ■	15% ■	9% ■	N/A ■	0 ■	26 ■	8.42 ■

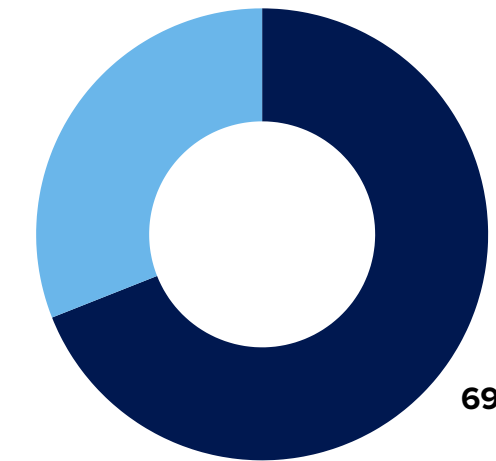
* North America Only

**US Only

2022 CEO Pay Ratio was US FTEs Only
1 Mobility Opportunity Fund Investment



Portfolio Companies TRIR below industry average



11.56

Portfolio Average CEO to Median Pay Ratio

Graph Key

- ▲ Increase
- ▼ Decrease
- No Change
- No Previous Year Data



Governance Metrics

	Company	Board Committees	Independent Board Members	Corporate Policies	Board Diversity Race & Gender
Fund I	Company A	100% ▶	2 ▶	100% ▶	25% ▶
	Company B	100% ▶	2 ▶	100% ▶	22% ▶
	Company C	100% ▶	2 ▶	100% ▶	33% ▲
	Company D ¹	100% ▶	4 ▶	100% ▶	18% ▶
	Company E	100% ▶	2 ▶	100% ▶	33% ▲
	Company F	100% ▶	2 ▶	100% ▶	30% ▶
	Company G ¹	100% ▶	4 ▶	100% ▶	8% ▲
	Company H ¹	33% ■	2 ■	0% ■	29% ■
Fund II	Company I	100% ▶	2 ▼	80% ▲	13% ▲
	Company J	100% ▶	2 ▶	100% ▶	33% ▶
	Company K ¹	100% ▶	4 ▶	80% ▲	31% ▶
	Company L	100% ▶	2 ▶	100% ▶	22% ▲
	Company M	100% ▶	2 ▲	100% ▲	11% ▶
	Company N	100% ▶	2 ▶	80% ▶	14% ▼
	Company O	33% ■	2 ■	0% ■	33% ■
	Company P ¹	33% ■	1 ■	100% ■	13% ■

¹ Mobility Opportunity Fund Investment

Graph Key

- ▲ Increase
- ▼ Decrease
- ▶ No Change
- No Previous Year Data



23%

Average Diversity of Board of Directors



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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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Sustainability Report Style Guide (Title)

Sustainability Report Style Guide (Header)

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Body Text large. Proxima Nova Light. 16pt.

Sub Header small. Proxima Nova Black. 12pt.

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18

Portfolio
Metric Title



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Environmental
Metric Title



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Social
Metric Title



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Governance
Metric Title