



PRIVATE EQUITY STAKEHOLDER PROJECT

October 6, 2024

David Atkin, CEO
PRI

Via email: david.atkin@unpri.org, governance@unpri.org

Dear Mr. Atkin:

We are writing to you regarding the private equity firm Instar Asset Management (Instar), a PRI signatory¹ whose actions are a serious violation of the integrity of the PRI Initiative and therefore put the integrity of PRI and the initiative at risk.

We request that you and the PRI Board of Directors take steps to “safeguard the reputation, integrity and good efforts of the PRI and its signatories” by delisting Instar Asset Management, using the authority outlined in the PRI [“Serious Violation Policy.”](#)²

The PRI [surveyed its signatories](#) regarding holding fellow signatories accountable to the Initiative’s principles and what to do when “the behaviour of these organisations has the potential to bring the PRI, and by extension the work of the signatory base as a whole, into disrepute.”

Almost three quarters of the surveyed signatories (71 percent) agreed that the PRI should “delist signatories if they act in a manner that brings their publicly stated commitment to responsible investing, or the work of the PRI (and by association, other signatories), into question.” (“PRI Serious Violations Policy Consultation Document”)

¹ https://drive.google.com/file/d/1PFwUY71pJI5yyWytORM_bU4IDqJPTAg9/view?usp=sharing;https://instarinvest.com/wp-content/uploads/ESG-policy-08-2021-FINAL.pdf

² <https://www.unpri.org/pri/governance/serious-violations-policy#:~:text=The%20Serious%20violations%20policy%20is,and%20the%20signatory%20minimum%20requirements.>

This is exactly what Instar is doing. While the company may call itself a responsible investor that is concerned with Environmental, Social and Governance (ESG) issues, the actions of Instar, and its portfolio company Windmill Farms, directly contradict Instar’s stated commitment.

For over two years, Washington-based Windmill Farms, has faced legal challenges from various government agencies, private lawsuits, and public criticism in the media. Workers at the farm have joined the United Farm Workers, sought union recognition, and publicly complained of abusive working conditions, retaliatory firings, low wages, and discrimination.

History at Ostrom/Windmill Farms

Before Instar acquired the farm, *The Seattle Times* reported that “Ostrom Mushroom Farms, a major producer in the Pacific Northwest, systematically fired about 80% of its employees at its Sunnyside farm — the majority of whom were women — and replaced them with foreign workers, who were mostly men, under a visa that provides fewer labor rights, according to a lawsuit filed Wednesday by the state attorney general.”³

“[The Washington Attorney General] said . . . that Ostrom fired more than 140 U.S.–based pickers, mostly women, who had years of experience with the company. Ostrom then hired 65 seasonal workers who were all men except for two, under the H-2A visa program,” after making a job posting that explicitly sought “only males.”⁴

In February 2023, Instar acquired Ostrom Mushroom Farm through one of its portfolio companies and is operating it under the name Windmill Farms.⁵ Instar was aware or should have been aware that they were acquiring a farm with significant ESG related problems and should have implemented their ESG policies in their newly acquired portfolio company. New Windmill management is accused of immediately terminating the employees and offering new employment under stricter conditions and requiring employees to sign binding arbitration agreements as a condition of employment.⁶

For almost two years, Instar has refused to engage with stakeholders to improve the working conditions at Windmill Farms and instead, the farm has seen growing labor strife and workers report ongoing efforts to harass and terminate union supporters.

³ <https://www.seattletimes.com/seattle-news/law-justice/ostrom-mushroom-farms-faces-civil-rights-lawsuit-on-gender-other-discrimination/>

⁴ <https://www.seattletimes.com/seattle-news/law-justice/ostrom-mushroom-farms-faces-civil-rights-lawsuit-on-gender-other-discrimination/>

⁵ Ostrom Mushroom Farms Pitchbook [Profile](#), accessed September 26, 2024. Note that this is a correction to the original version of this letter, which incorrectly listed Instar’s acquisition date of Windmill Farms as June 2022. While that is accurate, the labor dispute is occurring at a farm acquired by Instar-owned Windmill Farms in February 2023 and is now operated under the name Windmill Farms.

⁶ <https://www.kimatv.com/news/local/ufw-continue-fight-against-windmill-farms>; <https://ufw.org/farm-workers-to-rally-at-yakima-court-in-windmill-farms-lawsuit/>

In August 2022, Washington State Attorney General filed a “civil rights lawsuit against mushroom producer Ostrom for discriminating against domestic farmworkers and women,”⁷ which was settled in May 2023 for \$3.4 Million.

In November 2022, *The Seattle Times* reported on additional public actions workers were taking to remedy unfair working conditions, as well as citing an additional fine by the WA state Department of Labor, “after an inspection found the company’s working conditions left employees susceptible to injuries that could hospitalize them or cause partial disabilities.”⁸

In July 2023, UFW President Teresa Romero wrote to Windmill Farms owner, Instar Asset Management requesting a meeting to discuss the labor issues at the farm and has been ignored to date.

In August 2023, “The U.S. Department of Labor Wage and Hour Division [found](#) Ostrom Mushroom Farms failed to pay farmworkers the required wage rate, did not provide cooking facilities or three meals per day, all violations of the H-2A temporary agricultural program.” The US DOL recovered “\$59,850 in unpaid wages for 62 employees and \$74,642 in civil money penalties.”⁹

In September 2023, “More than 250 signed a petition whose demands included the right to negotiate pay and production quotas – and for the current owner, Windmill, to “recognize our union and begin negotiations of a labour agreement,” according to [The Globe and Mail](#).

In November 2023, [Toronto-based Globe & Mail](#) covered the situation at the farm in two separate [articles](#), as did [The Seattle Times](#) and the [LA Times](#), when “A half-dozen Washington-state agricultural workers filed a lawsuit [] against their mushroom farm’s Canadian owners, saying employees attempting to organize a union there have been harassed, singled out for mistreatment and in some cases terminated.”

“The lawsuit demands a halt to the use of production quotas to discriminate against some workers, an end to workplace surveillance of certain employees and an end to separating union supporters from one another in order to stop them from discussing workplace concerns.”

“Windmill chief executive Ed Carolan declined to comment this week on the lawsuit. . . . The company has said workers have no need of a union.”

As reported by [NBC local affiliate](#) in March 2024, farmworkers gathered in Sunnyside, WA, home of Instar-owned Windmill Farms, “to show farms in the area that they still want their [workplace] protections. . . . after employees from the Ostrom Farm unionized but the farm continued to ignore the farmworkers’ desire for protections, even limiting water breaks, according to some former employees.”

⁷ <https://www.atg.wa.gov/news/news-releases/ag-ferguson-files-civil-rights-lawsuit-against-mushroom-producer-ostrom>

⁸ <https://www.seattletimes.com/business/agriculture/ostrom-mushroom-workers-allege-continued-mistreatment-amid-ag-lawsuit/>

⁹ <https://www.dol.gov/newsroom/releases/whd/whd20230810>

In May 2024, Windmill Farms workers organized a hearing with labor leaders and Washington legislators in Seattle to shed light on the struggles at the farm. Media [coverage](#) highlighted Windmill Farms workers' testimony about the intimidation and union busting occurring at the farm:

“The retaliation is there, and the harassment as well,” said current Windmill Farms worker Fredi Quispe, speaking through a translator. “We can go to HR but they won't do anything about it. It's like they're laughing at us, saying ‘don't you want to keep your jobs?’ There are a lot of my coworkers that want to join the union, but they feel threatened.”

In June 2024, the first court hearing was held in a lawsuit filed against Instar and Windmill Farms by Windmill Farms workers and the UFW. The hearing and accompanying rally held by Windmill Farms workers were covered in multiple media outlets, including local channel [KIMA](#). At the hearing, Instar and Windmill Farms argued that workers did not have the right to sue the company because they had signed mandatory arbitration agreements and that the UFW didn't have standing. Workers previously reported that when Instar bought the farm, workers were fired and then offered jobs only if they signed mandatory arbitration agreements. The judge ruled against the workers, stating that they had to use the arbitration process, but allowed the UFW claims to continue in court.

In July 2024, during a [webinar](#) hosted by the National Farmworker Ministry Northwest, faith-based organizations heard from Windmill employees about some of the ongoing labor abuses that continue at the farm. The webinar included a report about a work stoppage that occurred that week and a former supervisor stated that she was fired in June 2024 because she refused to yell at workers. Workers provided attendees with additional details about harassment, discrimination, and pressure being placed on workers at the farm.

In July 2024, a Yakima Herald Republic [article](#) covered the work stoppage referenced, noting that, “after recent firings. Approximately 50 people, including 36 current employees, protested outside of the [Windmill Farms] office.”

Throughout 2024, a growing number of organizations have written letters encouraging engagement from Instar, including: 11 Washington State Legislators, Unite Here Local 8, Earth Justice, Renton Education Association, Private Equity Stakeholder Project, Stand.Earth, National Farmworker Ministry, Illinois State Senator David Koehler (wrote to Instar investors), US Faith-Labor Solidarity Committee, Adrian Dominican Sisters, Ecumenical Catholic Church, Rainbows for God's Children, and Illinois Senator Karina Villa, all of whom have been ignored by Instar.

In August 2024: the Yakima Herald Republic [covered](#) a gathering that workers organized in Sunnyside, WA, where current and former workers of Windmill Farms shared their concerns, frustrations and emotions with a panel of elected officials, political candidates, and nonprofit staff.

In September, 2024 The Yakima Herald Republic [reported](#) that More than 50 people attended a rally pressing Windmill to rehire fired workers and improve workplace conditions.

After significant media coverage and additional communication from labor, faith, and community organizations, and elected officials, Instar and Windmill Farms continue their refusal to even communicate with stakeholders, let alone meet and address these labor issues, while accusations of mistreatment and discrimination at the farm continue.¹⁰

Instar ESG policy is significantly different from their actions

The Instar ESG policy states, “As a long-term investor, we believe we have a fiduciary obligation to proactively address ESG risks and opportunities as part of our investment strategy to create long-term sustainable value for Instar’s limited partners. Instar is a signatory to the Principles for Responsible Investment (“PRI”), an initiative supported by the United Nations that provides a voluntary framework to help institutional investors incorporate environmental, social and corporate governance issues into investment analysis, decision-making and ownership practices.”¹¹

The policy also says that: “Instar seeks to:

- A. Consider environmental, governance, safety and social issues associated with potential investment opportunities in Instar’s evaluation of the prospective entity or asset and the ongoing asset management of the portfolio investment.
- B. Continually engage with relevant stakeholders, including, but not limited to, local communities, First Nations and all levels of government, either directly or through representatives of portfolio companies, as appropriate, to communicate on ESG matters and priorities.
- C. Actively develop and improve the long-term sustainability of portfolio investments for the benefit of multiple stakeholders.
- D. Work with partners, management of portfolio companies, contractors and stakeholders to the extent reasonably possible to improve and advance ESG initiatives at Instar and its portfolio investments.
- E. Promote transparency and timeliness in communication with stakeholders and Instar’s limited partners on ESG matters.”¹²

However, as shown above, Instar’s portfolio company, Windmill Farms, has engaged in ongoing practices that endanger the health and safety¹³ of its largely immigrant workforce and both Instar and Windmill have continually refused to engage with stakeholders.

¹⁰ <https://ufw.org/farm-workers-to-rally-at-yakima-court-in-windmill-farms-lawsuit/>

¹¹ <https://instarinvest.com/wp-content/uploads/ESG-policy-08-2021-FINAL.pdf>

¹² <https://instarinvest.com/wp-content/uploads/ESG-policy-08-2021-FINAL.pdf>

¹³ https://www.sunnysidesun.com/news/ufw-rallies-against-windmill-farms/article_8d5d3502-6a28-11ef-a10c-7bd1b41eca55.html; https://www.yakimaherald.com/news/local/lower_valley/sunnyside-mushroom-farmworkers-rally-after-more-firings-in-august/article_9fe0cd1c-670b-11ef-a6f5-2f4c0a61ff48.html

Instar ESG policy also states that: “Instar avoids investment opportunities with certain profiles that we believe may be associated with significant risks and liabilities to the environment, society or health. These include: . . . Companies that have a negative social impact; and Companies or projects that do not respect or follow human rights, including the use of child or forced labour or engaging in discriminatory practices.”

However, as noted above, Instar invested in Ostrom/Windmill Farms around the time that the farm: 1. was sued by the WA Attorney General for gender discrimination¹⁴, 2. fined by the US DOL for violations of federal law¹⁵, 3. fined by the WA Department of labor for unsafe working conditions.¹⁶

Instar actions also deviate from the PRI’s own framework

The PRI states:

“Meeting human rights expectations leads corporations and investors to more effectively and proactively manage a range of complex environmental, social and governance (ESG) issues. Among social issues, we find employee relations, diversity issues, health and safety, community relations and forced labour – each of which are reflected in well-established international human rights instruments.”¹⁷

One of those “well-established international human rights instruments” is of course the United Nations’ Universal Declaration of Human Rights, which states that:

- Everyone has the right to “just and favourable conditions of work”
- “Everyone who works has the right to just and favourable remuneration ensuring himself and his family an existence worthy of human dignity”
- “Everyone has the right to form and join trade unions for the protection of his interests.”¹⁸

The PRI has also been working to “[get investors on board](#)” with the United Nation’s Sustainable Development Goals (SDG) in order to achieve “broader objectives of society.”¹⁹ One of the UN SDGs is “full and productive employment and decent work for all.”²⁰

THE PRI’S SERIOUS VIOLATIONS POLICY

As you can see, while Instar purports to be a responsible investor that is concerned with Environmental, Social, and Governance (ESG) issues, the company engages in practices that directly contradict its lofty statements.

¹⁴ <https://www.atg.wa.gov/news/news-releases/ag-ferguson-files-civil-rights-lawsuit-against-mushroom-producer-ostrom>

¹⁵ <https://www.dol.gov/newsroom/releases/whd/whd20230810>

¹⁶ <https://www.seattletimes.com/business/agriculture/ostrom-mushroom-workers-allege-continued-mistreatment-amid-ag-lawsuit/>

¹⁷ <https://www.unpri.org/human-rights/why-and-how-investors-should-act-on-human-rights/6636.article>

¹⁸ <https://www.un.org/sites/un2.un.org/files/udhr.pdf>

¹⁹ <https://www.unpri.org/sustainable-development-goals/the-sdg-investment-case/303.article>

²⁰ https://www.ohchr.org/Documents/Issues/MDGs/Post2015/SDG_HR_Table.pdf

We believe that these actions constitute a “serious violation,” according to the PRI policy, and warrant delisting Instar as a signatory. Instar and its actions fully meet the criteria for a serious violation as laid out in Section 2.1 of the PRI Serious Violations Policy.

- Serious actions “put the integrity of the PRI Initiative and its objects at risk;” (2.1.1)
 - As detailed above, Instar has put the integrity of the PRI Initiative at risk by making grand statements regarding its human resources practices, but then contradicting those statements with the actions of its portfolio company.
- Serious actions “are serious (material and/or significant);” (2.1.2)
 - As detailed above, Instar-owned Windmill Farms has been found to have engaged in discrimination and wage theft, and is currently accused of harassment and serious labor rights violations.
- Serious actions “are systematic (organized and/or an outcome of an organisation’s culture);” (2.1.3)
 - The actions described above are not isolated incidents. They are ongoing and show no signs of improvement.
- Serious actions “are within the legitimate sphere of control of the signatory.” (2.1.4)
 - Instar is a wholly owned portfolio company of Instar.²¹

We request that you and the PRI Board of Directors use the authority outlined in the PRI’s Serious Violations Policy and delist Instar as a signatory.

Sincerely,

Justin Flores

Justin Flores
Private Equity Stakeholder Project

Irv Hershenbaum

Irv Hershenbaum
United Farm Workers

Cc: Peter Dunbar, PRI
PRI Board of Directors
PRI Plastic Investor Working Group
PRI Private Equity Advisory Committee
Gregory Smith, CEO, Instar

²¹ <https://instarinvest.com/portfolio/>; Windmill Farms Pitchbook [Profile](#), accessed September 26, 2024