



# INSTAR


INSTAR ASSET MANAGEMENT  
**ESG REPORT 2023**

# ENRICHING PEOPLE'S LIVES

Signatory of:







**Instar Asset Management Inc. is an independent private capital firm focused on North American middle-market opportunities in the infrastructure sector and other alternative real asset categories.**

We invest in distinctive companies that deliver essential infrastructure solutions and value to communities, partners, and investors, helping us to fulfil our purpose of *enriching people's lives*.

Our vision is to be North America's leading middle-market private capital platform by fostering meaningful relationships, cultivating entrepreneurialism, sparking innovation and supporting one another, our partners and the communities we serve.

Our mission is to generate superior risk-adjusted returns for our investors from responsible, long-term investments that improve North America's essential infrastructure and to help drive economic and social value for current and future generations.

At Instar, we believe our success is best measured in what we can help *others to achieve*.



# THE INSTAR WAY

At Instar, we are guided by the following values:



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# INSTAR AT-A-GLANCE

We are passionate about contributing to the development of sustainable and resilient communities, and believe we have a fiduciary duty to proactively address material ESG risks and opportunities as part of our investment and value creation strategies.

Our Executive Committee has invested in time, capital and talent to develop and implement Instar’s ESG strategy at the corporate level and across our portfolio. With over 100 years of combined experience in private equity and infrastructure, our Executive Committee has observed a significant shift in stakeholders’ emphasis on ESG from an area of compliance to a key driver of value creation. We are proud of the “Instar Way”, integrating ESG considerations in our core business strategy from investment origination throughout the ownership lifecycle.



From left to right: Morty White, Managing Partner; Sarah Borg-Olivier, Chief Operating Officer and SVP; George So, Managing Partner; Gregory Smith, Founder, President and Chief Executive Officer..

29

employees\*

11

portfolio companies

1

dedicated ESG professional

~200

years of combined experience

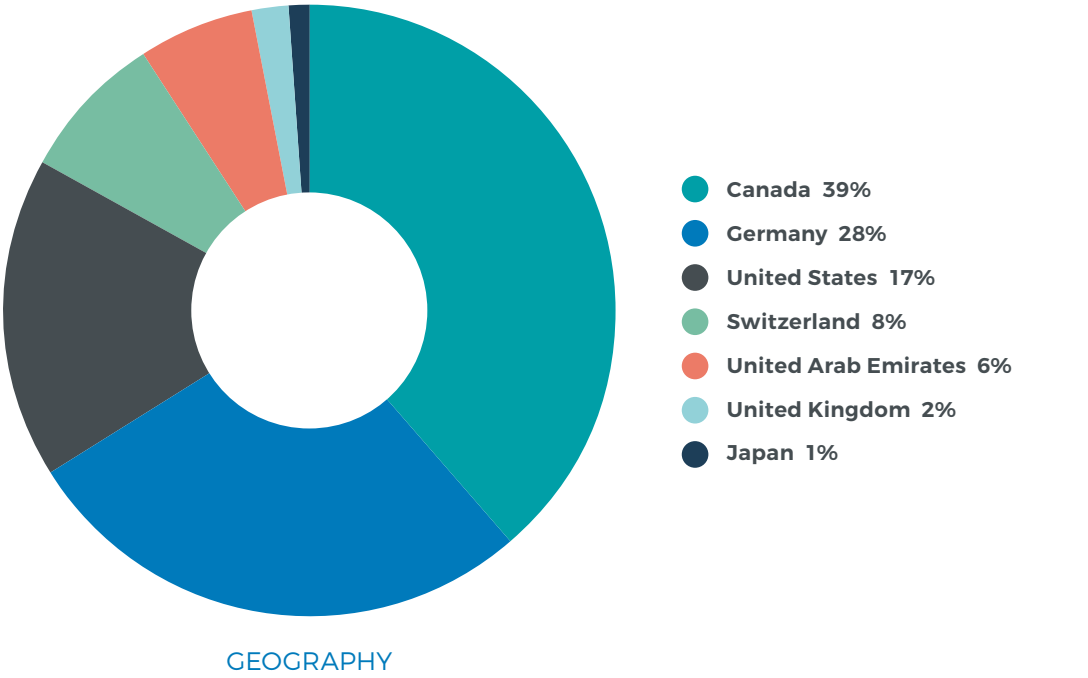
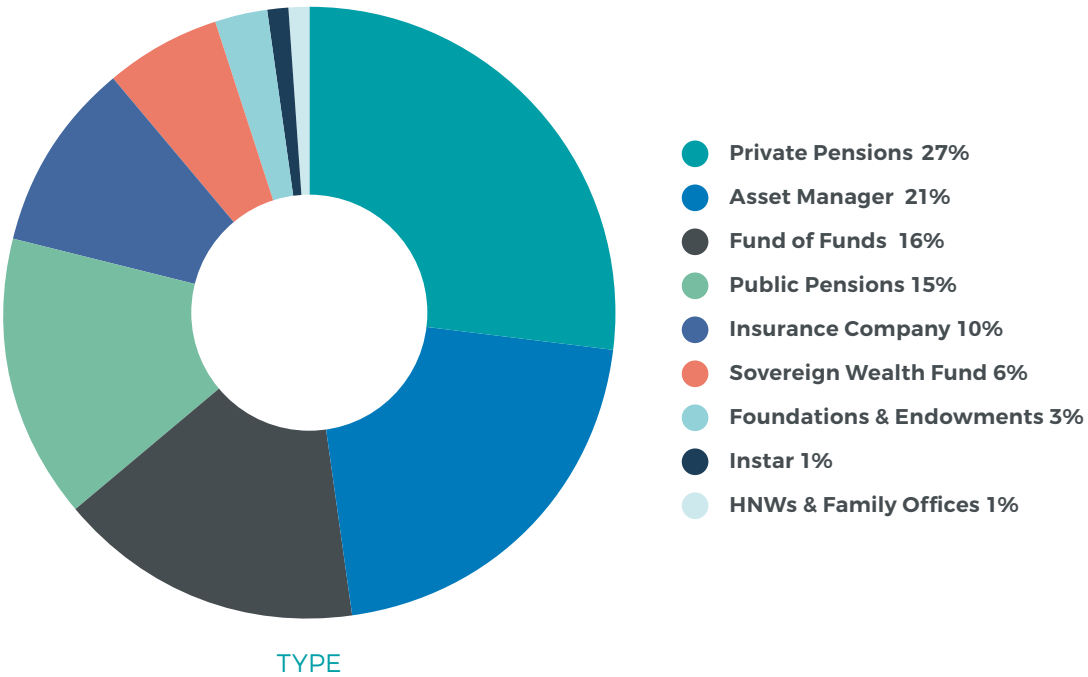
\*As at March 31, 2023

**Team**  
33% Female  
67% Male

**Leadership†**  
25% Female  
75% Male

† Executive Committee

## INVESTORS BY TYPE AND GEOGRAPHY







**“Investing in infrastructure is all about investing in people. Our purpose as an organization is about enriching people’s lives, and that extends to our own team as well”**

- Gregory Smith, Instar President and CEO



# UN SUSTAINABLE DEVELOPMENT GOALS

**Instar aims to make a positive contribution towards sustainable development and the UN Global Compact's Sustainable Development Goals (UN SDGs), with a focus on the following:**

## Our Purpose

### SDG 9 - Industry, Innovation, and Infrastructure

We seek to invest in businesses providing essential products and solutions that leverage macro trends driving demand and growth. We contribute to building resilient infrastructure, promoting sustainable industrialization and fostering innovation by investing in market-leading essential businesses that enrich people's lives.

## Our Impact

### SDG 2 - Zero Hunger, SDG 6 - Clean Water and Sanitation, SDG 12 - Responsible Consumption and Production, SDG 13 - Climate Action

Many of our portfolio companies have an inherent underpinning contributing to the UN SDGs, such as Steel Reef, which plays a key role in the energy transition as a leader in flare gas capture. Creative Energy is accelerating its important work to decarbonize urban energy systems and help cities meet carbon reduction goals. Lightspeed Networks, through the provision of fiber and connectivity services, is bridging the digital divide and improving equality of opportunity in the U.S. Pacific Northwest. PRT Growing Services is a critical link in the forestry sustainability supply chain, contributing to reforestation efforts and growing more than five billion seedlings over the past 30 years. All our portfolio companies constantly look to improve energy efficiency and lower costs, capitalizing on incentives for renewable energy, and to introduce new human capital, inclusiveness and community engagement strategies, among many others.

## Our Way

### SDG 3 - Good Health and Well-Being, SDG 5 - Gender Equality, SDG 8 - Decent Work and Economic Growth

As active managers, we engage with our portfolio companies, working through the board and executive team, to prioritize health and safety, gender equality, and decent work conditions. Every portfolio company board has a subcommittee responsible for health and safety and reports health and safety matters to the Board of Directors on a quarterly basis. We seek diverse candidates to join our portfolio companies as executive team members and directors of the board, as we understand the value in having diverse voices in decision-making roles. Finally, we ensure that our portfolio companies as employers comply with regulatory obligations as the minimum standard and strive for best practices within their respective industries, resulting in an engaged and more productive workforce, furthering economic growth for the communities in which we operate.

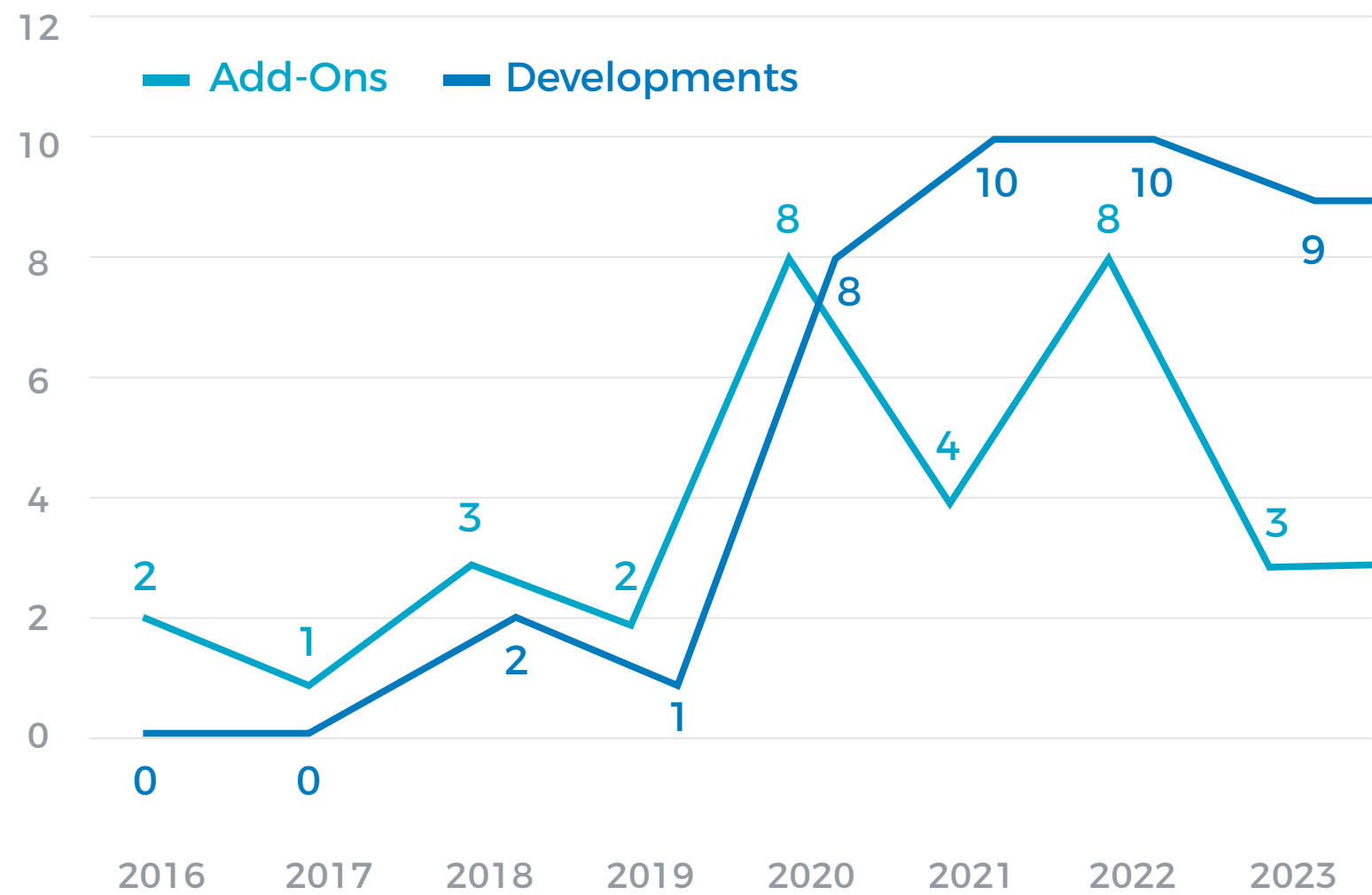




# PORTFOLIO OVERVIEW

Our value creation playbook includes helping scalable companies grow through add-ons and developments, which we view as opportunities to drive value for investors and implement more sustainable ways to run businesses for the future.

## ADD-ONS & DEVELOPMENTS



**Add-On:** A company that is acquired and integrated into an existing portfolio company

**Development Project:** An expansion project executed by the portfolio company – not the acquisition of a new company

31  
add-on acquisitions  
since inception

40  
developments since  
inception



In September 2020, JET Infrastructure completed its upgrade to the Sacramento facility to include biodiesel capacity, providing customers with access to B5-B20 biodiesel, a type of sustainable aviation fuel (SAF). SAF is derived from non-fossil sources or ‘feedstock’ that, through its process of cultivation and production, works to close the carbon cycle and achieve a significant reduction in life-cycle emissions relative to traditional jet fuel.



In September 2022, Lightspeed Networks announced its acquisition of PocketiNet, expanding the company’s platform to include fiber-to-the-home and connect Americans to their jobs, schools and families across rural communities in the U.S. Pacific Northwest with affordable, reliable and essential internet access.



In March 2023, Skyservice US broke ground on a 71,000-square-foot FBO and hangar complex in Seattle, Washington at Boeing Field/King County International Airport (KBFI). With a net zero energy building design that includes solar power compatibility, the development at KBFI demonstrates Skyservice’s commitment to supporting the decarbonization of the aviation industry.





# PORTFOLIO OVERVIEW

Instar invests in mid-sized<sup>1</sup> niche businesses spanning North America that deliver differentiated essential products and solutions to partners, customers and communities. Essential businesses play a key role in improving quality of life, growing socio-economic opportunities and reducing inequalities by providing sustainable, resilient solutions such as electricity, water, heat and transportation.



## AVIATION INFRASTRUCTURE

- Nieuport Aviation<sup>2</sup>
- Skyservice
- Skyservice US
- JET Infrastructure

## COMPLEX LOGISTICS

- AMPORTS



## LOW-CARBON ENERGY

- Creative Energy
- Okanagan Wind<sup>3</sup>

## MIDSTREAM INFRASTRUCTURE

- Steel Reef
- Pilot Water Solutions<sup>4</sup>
- MI Infrastructure<sup>5</sup>



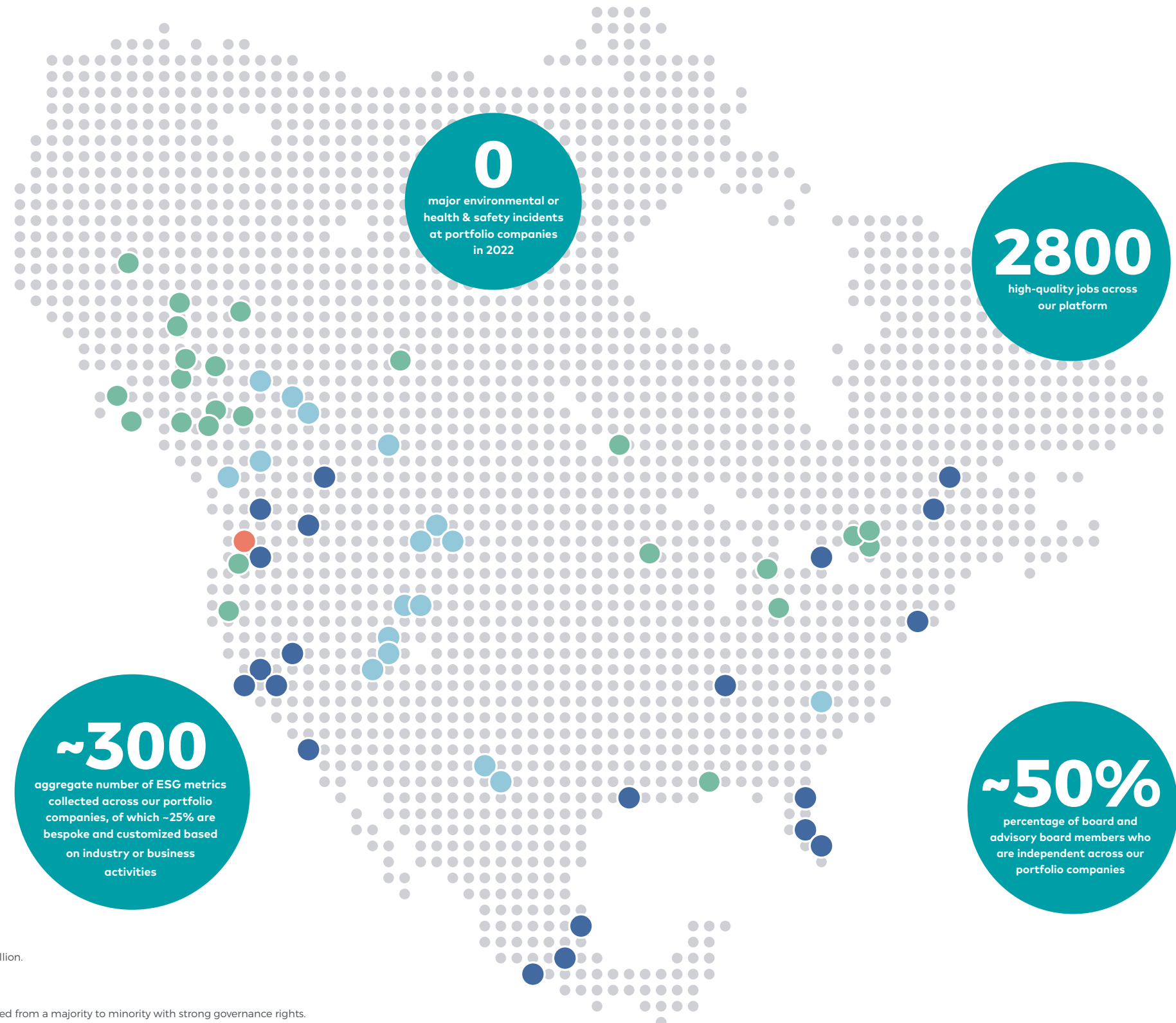
## FIBER

- Lightspeed Networks



- PRT Growing Services

- Windmill Farms



<sup>1</sup> Instar defines its middle-market opportunity set as businesses with an enterprise value of approximately \$100 million to \$1 billion.

<sup>2</sup> Divested interest in February 2019.

<sup>3</sup> Divested interest in June 2021.

<sup>4</sup> In Q3 2022, Oilfield Water Logistics merged with Pilot Water Solutions, resulting in Instar's ownership and control being reduced from a majority to minority with strong governance rights.

<sup>5</sup> Terminated partnership with MI Infrastructure in January 2020.



# MESSAGE FROM THE CEO



**Starting my career in private capital in the early 1990s, I have had a front row seat to the vacillations of the market cycle and shifting investment opportunities and risks through three recessions and subsequent periods of innovation and renewal. As a leader, the frequency of high-impact, low-probability events over the past two decades --- and especially in the past three to five years --- is particularly striking and redefines how we think about what it means to be resilient.**

Today, the speed of change and state of flux is much faster and more disruptive. This new “normal” is largely defined by the fact that it is anything but. From a global pandemic to the war in Europe, from emerging and shifting national security threats to more powerful, frequent natural disasters, to economic uncertainty and upheaval in many facets of society: our new reality is that crisis and volatility are here to stay. While we cannot necessarily anticipate such “Black Swan” events, we can take steps to reduce our vulnerability to them, prepare for eventualities and create the capacity to absorb both acute and prolonged changes.

In an era of growing complexity and challenge, we are tasked to develop more thoughtful, responsive and resilient solutions to support our communities, infrastructure and environment

for future generations. Today’s infrastructure investment requirements are fundamentally different than 20, 10 and even five years ago; they will be different yet again tomorrow. In this new reality, the lens through which we evaluate investments and how we manage our portfolio companies requires placing ESG at the core of our strategy and bringing discipline and focus to the drivers of value creation and long-term performance. Our role as a manager is to develop our portfolio companies’ advantages --- namely talent, technology and culture --- and to eliminate disadvantages such as barriers to innovation and growth. It is our responsibility to ensure the longevity and competitiveness of our portfolio companies, which naturally includes evaluating ESG risks and opportunities that could impede, or unlock, returns to investors in our changing world.

**Today’s infrastructure investment requirements are fundamentally different than 20, 10 and even five years ago; they will be different yet again tomorrow.**

In our second annual ESG report, we highlight our strategy, initiatives and measurements at the corporate level and across our portfolio that shape our potential for impact and drive long-term value for our investors, employees and the communities in which we operate.

## Our Purpose

Instar’s purpose as an organization is to enrich people’s lives through the investments we make, how we engage with and support our employees, and how we create value for stakeholders in a manner that contributes to broader social and economic progress. People are at the heart of what we do, and we are committed to helping great people, companies and communities become even better.

Our purpose is powerful. It is deeply meaningful to me and every member of the Instar team. It defines how we behave, think and act. It reflects our conviction in putting people first and our “how can I help?” mindset. It means committing to strong human capital management practices and engaging with our team to nurture Instar’s high-performance culture. It means committing to embracing diversity, equity and inclusion principles and initiatives across our organization, which benefits our decision-making and creates more opportunity for all. It means committing to help our portfolio companies unleash their potential and thrive in our evolving macro environment. With our focus on people, sustainability is inherently embedded in our strategy. The integration of ESG across our platform throughout our governance, portfolio management and stewardship framework broadens the aperture of how we assess investment opportunities, how we consider and manage long-term risks, and how we generate new revenue opportunities and efficiencies that bolster value.

## Our Opportunity

To our investors and our partners, Instar offers deep evolutionary experience in the marketplace from the earliest days of the infrastructure asset class 20 years ago and a proven ability to shepherd and build the value of our portfolio companies throughout the economic cycle. We believe a defining attribute of our strategy is our ability to discern the long arc of macro trends such as demographic shifts, urbanization, technology change and sustainability imperatives: how they create new essential needs in our society and economy and how they define new investable sectors and subsectors.

All around us, the confluence of high-impact low-probability events has magnified the consequences of slow action on climate change and biodiversity, human capital matters, and social and economic equality. As a long-term investor, we believe we have a responsibility and opportunity to support



# MESSAGE FROM THE CEO

businesses providing essential products and solutions that enable a greener and more equitable, prosperous and resilient future.

**It is our responsibility to ensure the longevity and competitiveness of our portfolio companies, which naturally includes evaluating ESG risks and opportunities that could impede, or unlock, returns to investors in our changing world.**

We take a 10- to 20-year perspective on these macro drivers and seek out dynamic, scalable businesses that matter to economic, environmental and social resilience over that period of time and beyond across the transportation, energy transition, technology, environmental and social sectors. Our investment universe is continually shaped by emerging themes in our economy and society, including the security and resilience of critical supply chains and transportation networks; the circular economy; food and water safety and security; technology-enabled critical infrastructure; energy costs and how geopolitical considerations are shifting needs, consumption and green alternatives; and social infrastructure that underpins essential services integral to communities, to name just a few.

## Our Way

Our success is best measured in what we can help others to achieve: our employees and many partners across our platform, the companies we invest in and the communities we serve.

ESG is part of our DNA, guiding the decisions we make and how we operate from initial due diligence through to divestment.

We believe in articulating a purpose beyond numbers and expressing and demonstrating our values in the pursuit of that purpose. At a governance level, we work closely with our executive teams and portfolio company boards of directors to move beyond measurement and monitoring to weave ESG into the very fabric of their culture, operations and value proposition for customers and for employees. We work alongside portfolio companies to facilitate transparent discussions about material ESG factors, how we measure and improve upon our operating practices and stakeholder engagement, and how we act with purpose to drive meaningful outcomes and build a more valuable business.

We cultivate best-in-class performance by aligning each member of our team as an investor in our funds along with the opportunity to participate in upside performance. This alignment means every Instar employee plays an active role in what we achieve as an organization and is empowered to innovate and drive peak performance in everything they do. It creates a culture where our work is meaningful and impactful, which encourages trust, transparency and collaboration across our platform.

**Our success is best measured in what we can help others to achieve: our employees and many partners across our platform, the companies we invest in and the communities we serve.**

ESG is deeply embedded within Instar's purpose, culture and leadership strategies. In my experience, winning the hearts and minds of our people --- at all levels of our organization --- is key to sustainable action and outcomes. I am incredibly proud of our team's passion, dedication and the creativity they bring to

elevating our ESG performance and contributions to our society and economy as you will read in this report.

In the years ahead, I believe strong ESG practices, integration and engagement across organizations and with stakeholders will be a critical element to building more sustainable businesses that can adapt to industry, regulatory and market shifts. We appreciate the continuing support of our many partners and look forward to sharing our progress.

Yours truly,



Gregory Smith  
President and Chief Executive Officer



# OUR ESG JOURNEY

## INSTAR

2013

Instar is founded with a clear mission, vision and values that includes putting people first

2018

Instar becomes a signatory to the UN-supported PRI (Principles for Responsible Investment), a network of investors that are committed to investing responsibly

Launch of Instar's ESG Policy

2020

Portfolio companies begin measuring ESG metrics related to scopes 1 and 2 emissions, diversity, equity and inclusion, and health and safety

Instar begins to assess physical and transition-related climate risk across our existing portfolio

2019

Instar begins delivering ESG training to investment team

Instar launches its C-suite and leadership programming to help our portfolio company executives to expand their network, elevate best practices and become even better at what they do.

2021

Instar starts to formally incorporate climate risk assessment into due diligence template

Instar begins measuring own corporate carbon footprint

2022

Instar publishes a Diversity, Equity and Inclusion Statement

ESG metrics are aligned with UN SDGs to measure Instar's contribution

Instar becomes a public supporter of the Task Force on Climate-Related Financial Disclosures

Portfolio companies begin measuring scope 3 emissions

Instar publishes inaugural ESG report

A dedicated ESG professional is hired to manage day to day operations related to ESG





# ESG ACROSS THE INVESTMENT CYCLE

**Instar established a formal ESG policy in 2018 to guide our ESG approach throughout our entire investment cycle from pre-investment due diligence, value creation during our ownership to divestment. We view compliance with regulatory obligations as the minimum standard and strive for best practices in our management of ESG-related risks and opportunities in a manner that helps our portfolio companies to raise the bar for environmentally and socially responsible conduct within their respective sectors.**

## Pre-Investment Due Diligence

Infrastructure as an asset class is naturally inclined to exhibit positive ESG characteristics. Our investment team targets infrastructure opportunities poised to benefit from strong macro tailwinds and identifies ESG practices and qualities that can generate a risk-return dynamic that aligns with our core value-added investment strategy. Instar does not invest in coal production or coal-fired power generation; oil sands and other conventional energy businesses, companies using environmentally unsound technologies, or 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. Potential investments are initially screened by sector, referring to the Sustainability Accounting Standards Board (SASB) materiality guidance to hone our analysis. Our ESG due diligence template ensures the consistency and rigor of our approach and helps to inform the investment team's overall diligence strategy and views on risks and mitigants.

In 2021, we incorporated climate risk assessment into our due diligence template, including transition risks and indirect and direct physical climate risks related to wildfires, extreme heat, sea level rise, flooding, tropical cyclones, and water stress over a 20-year time horizon. External advisors are also engaged to provide specific technical or market analysis where necessary, including identifying mechanisms for mitigating potential ESG risks and capitalizing on opportunities to add value to the portfolio company post-acquisition.



## Investment Approval

Instar's Investment Committee, which comprises Instar's Executive Committee and senior investment professionals, reviews diligence findings, risks and mitigation strategies, and value creation plans for each proposed investment, including ESG challenges and opportunities. Our Investment Committee considers all material issues and the overall sustainability profile of the business and may raise questions or require further work to be done as part of their investment decision.

## Divestment

Each portfolio company's ESG journey is unique, as are the investors who acquire our businesses. We assess our portfolio companies' progress and achievements since acquisition, revisiting our ESG materiality assessment to highlight areas that are most important to stakeholders, including investors. Where possible, we measure the impact of ESG initiatives from a value creation perspective along with progress on specific ESG KPIs.

## Post-Investment Engagement

Once a transaction closes, our investment and executive teams work closely with the new portfolio company, including C-suite executives and the board of directors, to implement and enhance the business plan developed during diligence, including establishing Instar's portfolio-wide key performance indicators for post-acquisition engagement and monitoring. At this time, all portfolio companies are requested to evaluate carbon emissions reduction strategies through resource efficiency opportunities and prioritize low carbon options when making new capital expenditures. We also work together to define and embed the company's own distinctive ESG purpose throughout its operations and engagement with employees, customers and communities. We engage in ongoing dialogue with our portfolio companies with respect to the implementation and success of ESG initiatives. ESG metrics are tracked quarterly, reviewed and discussed at the portfolio company board level and with Instar's own Advisory Board.

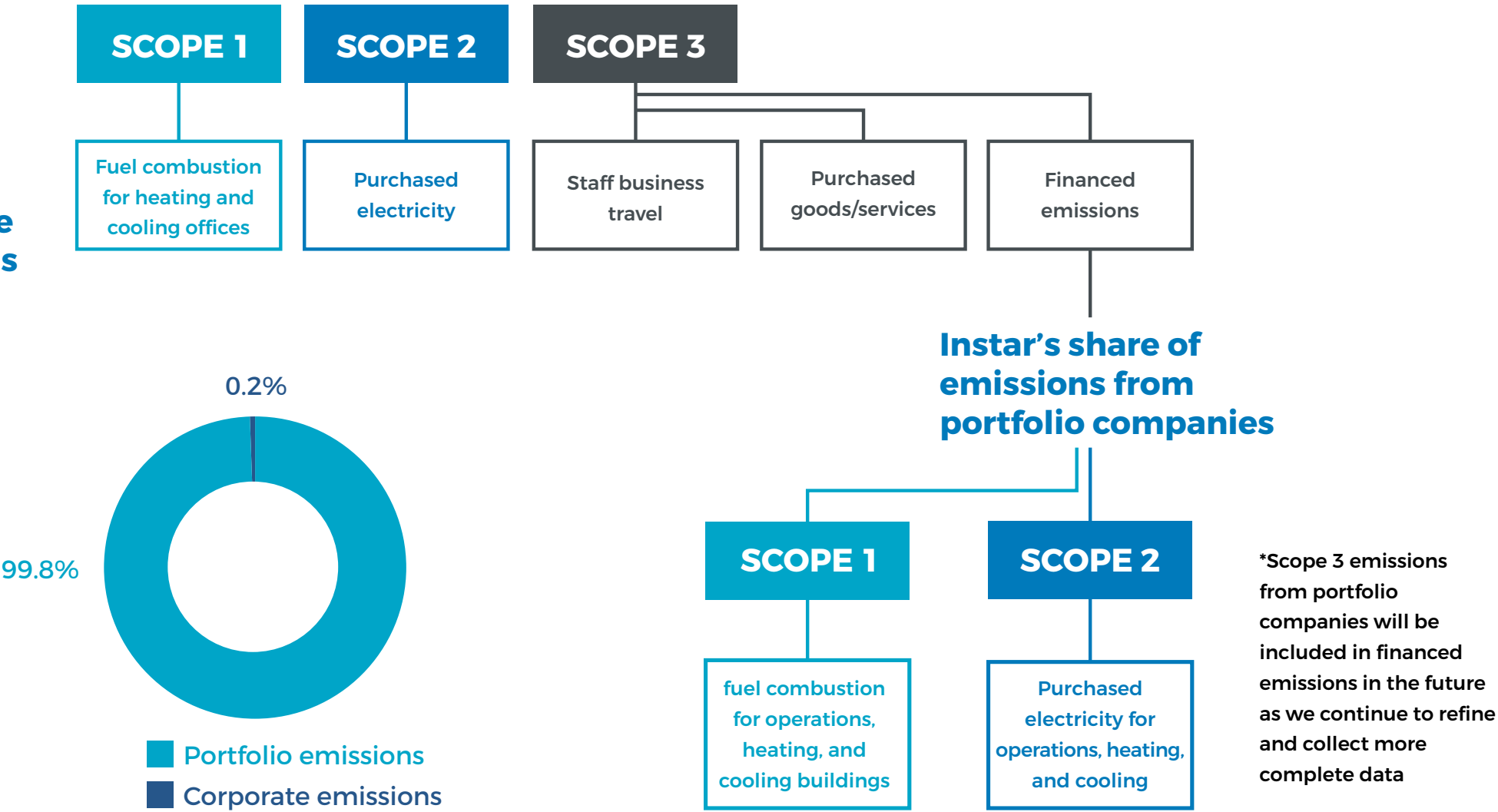


# OUR ENVIRONMENTAL IMPACT

## Our Carbon Footprint:

At Instar, one important way we measure our environmental impact is through quantifying the greenhouse gas emissions that are released as a result of our activities. We measure our corporate-level greenhouse gas emissions inventory in accordance with the World Resources Institute Greenhouse Gas Protocol. This includes emissions related to our corporate activities and core business, such as our offices and business travel. We have worked diligently to reduce these emissions as much as possible, given business travel is essential to relationship building and our engagement with investors and portfolio companies. Our corporate Travel Policy includes guidelines to ensure responsible travel.

Instar’s material corporate emissions



Instar is located in Toronto-Dominion Centre, a LEED Platinum building that is among the greenest office complexes in the world with an energy-efficient profile, including the use of a deep lake cooling system. We installed LED lighting to improve energy savings and invested in medical-grade air purification systems in our office to promote a cleaner, healthier indoor environment.





# OUR ENVIRONMENTAL IMPACT

EMISSIONS	2021	2022
Scope 1 emissions	0 t CO2e	0 t CO2e
Scope 2 emissions	21 t CO2e	37 t CO2e
Scope 3 emissions – business travel	165 t CO2e	244 t CO2e
Scope 3 emissions – purchased goods and services	352 t CO2e	249 t CO2e
Scope 3 emissions – financed emissions	Not measured	299,308 t CO2e

Carbon emissions include estimates and have not been verified by an independent third party.

The most material emissions category for Instar, and any financial services organization, is financed emissions, referring to those associated with our portfolio companies. Since 2019, we have collected scopes 1 and 2 GHG emissions data from our portfolio companies and continuously work to increase the rigour applied to the calculation of GHG emissions, data availability and quality, and reporting processes. We measure our financed emissions using our ownership percentage of our portfolio companies to attribute their scopes 1 and 2 emissions back to Instar under our scope 3 financed emissions category.

In 2022, Instar began collecting data to support the calculation of material scope 3 GHG emissions categories from portfolio companies. Often the largest category of emissions, scope 3 emissions relate to indirect emissions that occur in the upstream and downstream activities of an organization. While measuring this category presents many challenges, we believe that defining scope 3 emissions is key in understanding the impact of climate-related risks on our portfolio companies. We have commenced measuring scope 3 emissions for our portfolio companies in 2022 but do not include this in our calculation of financed emissions as we are still progressing data quality and availability.

## Understanding and addressing our biodiversity impacts

As scientific evidence increasingly proves that biodiversity is the critical infrastructure<sup>1</sup> supporting all life on earth, it is simultaneously declining at the fastest rate in history. While the atmospheric concentration of carbon dioxide serves as a useful barometer for climate stability, biodiversity loss has a litany of indicators as well as direct and indirect drivers.

In 2023, we began tracking our impact on biodiversity by identifying sites within our portfolio operating near biodiversity-sensitive areas and determining if operations have any negative impact. This year, we plan to educate our portfolio executives and investment team on natural resource management principles that can address biodiversity loss and develop a strategy to take on more targeted measures that are needed to protect and improve local habitats.



Honey bees are responsible for pollinating one-third of everything we put onto our plates<sup>2</sup>, and in Canada, it is estimated that their pollination efforts contribute a harvest value of up to \$7 billion<sup>3</sup>.

TD Centre, where Instar’s office is located, participates in Urban Beekeeping in hopes of offsetting the declining bee population and playing a more significant role in their conservation.

<sup>1</sup> Biodiversity loss and the taxonomic bottleneck: Emerging biodiversity science, Ecological Research, October 2006  
<sup>2</sup> How much does agriculture depend on pollinators? Lessons from long-term trends in crop production, Annals of Botany, June 2009  
<sup>3</sup> Statistical Overview of the Canadian Honey and Bee Industry and the Economic Contribution of Honey Bee Pollination, 2021, Agriculture and Agri-Food Canada, December 2022





# OUR SOCIAL IMPACT

Working with essential businesses means we have an inherent social impact on the communities we serve, providing sustainable, reliable products and solutions to enrich people’s lives. Mid-sized firms have historically outpaced large companies on both revenue and employment growth, so our focus on middle-market companies allows us to have a disproportionate, positive impact on economic competitiveness, employment growth, and community resilience and vitality.

People are at the heart of Instar’s ESG focus, which includes how we create growth opportunities for our employees, engage with stakeholders across our organization, and contribute to our communities.

## Promoting Health and Wellness



### Hold'em For Life Charity Challenge

Instar has been a proud sponsor of this annual charity poker event that has raised over \$47 million to fund cancer research and other initiatives at Mount Sinai Hospital, Princess Margaret Hospital, SickKids Hospital, Ronald McDonald House and Sunnybrook Health Sciences Centre. Over 85% of all funds raised by Hold'em for Life Charity Challenge have supported several life-saving breast cancer and prostate cancer research initiatives.



### Canadian Cancer Society

In October 2022, the Instar team came together to support all Canadians impacted by breast cancer at the annual Canadian Cancer Society CIBC Run for the Cure, raising over \$1,000 towards cancer research, support programs and services.



### Employee Donation Matching

We are proud to support our employees’ charitable giving through our charitable donation matching program, matching up to \$2000 per year in donations for each employee to support the causes that are meaningful to them and amplify their impact. In 2022, some charities that we supported alongside our employees included Canadian Cancer Society, Canadian Red Cross, Walk for Alzheimers, and DayTrippers Children Charity.





# OUR SOCIAL IMPACT

## Supporting Our Community



*“Participating in Holiday Helpers was an incredible experience knowing that we are helping a family in need during the holidays.”*

*- Iris Roesler, Office Manager and Executive Assistant*

### Holiday Helpers

During the holiday season at Instar, we come together to reflect on the year and celebrate all that we have achieved together with our communities. The holidays are an especially challenging time of year for vulnerable, low-income families. In 2022, for the second consecutive year, Instar sponsored two local families through Holiday Helpers to provide Christmas packages with warm winter clothing, household essentials and toys to bring holiday spirit to those in need.

*“Volunteering with Habitat for Humanity was an amazing experience. I learned new construction skills and enjoyed working together with the Instar team.”*

*- Kirti Dhull, Senior Fund Accountant*



### Habitat for Humanity

Habitat for Humanity GTA is a local non-profit housing organization that mobilizes volunteers, donors, and community partners to build affordable, inclusive communities across the Greater Toronto Area. In 2022, the Instar team volunteered for its third Habitat Build Day, supporting the organization with our time, energy and a monetary donation.

Since 1997, 417 families, including 1,251 children, moved into Habitat homes in the Greater Toronto Area and Durham. With its profound impact on people and communities, Habitat for Humanity GTA strongly aligns with Instar's values.





# OUR SOCIAL IMPACT

## Mentoring the Future Generation of Entrepreneurs and Leaders

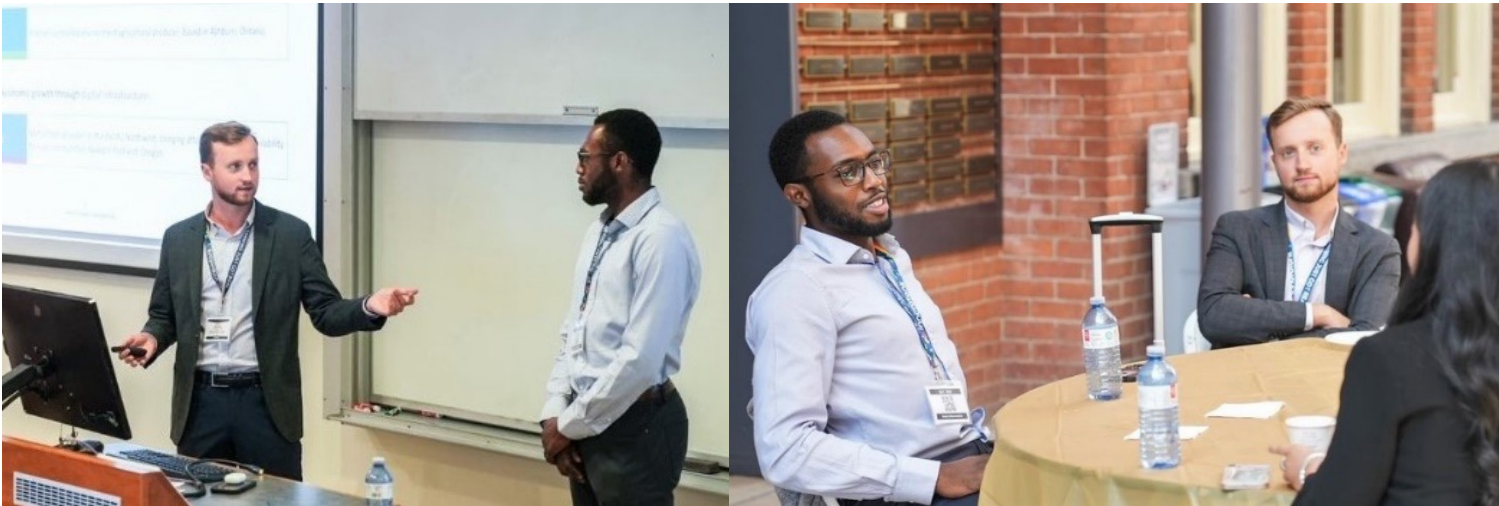


### Junior Achievement

At Instar, we understand the importance of cultivating entrepreneurship to further innovation, and we are committed to mentoring the next generation of leaders. From November 2022 to April 2023, we once again partnered with the Junior Achievement Company Program, which works with students from high schools across Ontario to develop business acumen and an understanding of the entrepreneurial process.

During the program, 14 high school students representing seven high schools visited Instar’s office each week to ideate, develop and test new business ideas in an environment that encourages collaboration and celebrates creativity and innovation. Members of our investment, operations and investor relations teams collectively dedicated over 300 volunteer hours to coach and mentor the students, helping them to develop a business plan, operate their company and discover the risks and rewards of starting a business. CEO Gregory Smith joined as a special guest speaker to share his personal experiences and insights gained from his 30-year career, including his own participation in Junior Achievement as a high school student and budding entrepreneur. Working with Junior Achievement reflects Instar’s “how can I help mindset” and enables us to share our passion for learning, relationships and building the businesses of tomorrow.

*“I really enjoy opportunities to connect with peers in the industry and to help give back to the community that has supported me in my professional development. With this program, I can use the functional business skills, knowledge and awareness of corporate social responsibility that I have gained at Instar to educate the future leaders of our community.” - Kingston Fyffe-White, Associate Vice President*



### Young Leaders in Infrastructure

Young Leaders in Infrastructure (YLI) is an organization that our CEO Gregory Smith helped found and in which Instar is active. YLI’s mandate is to engage and create relationships among the next generation of Canadian leaders in the infrastructure sector through networking, professional development and educational opportunities.

### Finance Case Competitions

Instar is proud to foster a culture of continuous learning, curiosity, and professional development. In 2022, members of our investment team attended the 14th annual Queen’s Case Competition at Queen’s University’s Smith School of Business, where they served on a judging panel and provided students with insights into our firm, industry and investment diversification.





# OUR PEOPLE



*“You can’t be what you can’t see. I’m fortunate to have the guidance and support of senior women both within and outside of my organization throughout my career. It is likewise important for me to spend time helping younger women in the industry. I think diversity comes from support and respect for each other.” - Cathy Xue, Vice President*

*“Having access to unlimited mental health benefits coverage helps me show up as the best version of myself at work and in my personal life.” - Jenn Lai, Associate Vice President of ESG*

## Diversity, Equity and Inclusion

**We embrace diversity, equity and inclusion for innovation and growth. We promote equality of opportunity and seek different perspectives to challenge conventional approaches and continuously improve our company’s performance and progress. We believe that diversity and inclusion help us drive innovation, make better decisions, achieve effective stewardship of our business and portfolio companies and enable our people to thrive.**

We published a Diversity Statement in 2022, which highlights our commitment to fostering a diverse and inclusive workplace that reflects the communities we serve and where our people can achieve their full potential. We have implemented multiple strategies to promote the fair and safe treatment of people involved either directly or indirectly in the development and operation of our portfolio companies.

Our diversity and inclusion initiatives are focused around three key areas:

- Attract**
- Use of external recruiting firms to ensure a diverse, balanced shortlist of candidates
- Retain**
- Unlimited mental health benefits coverage
  - Top-up of base salary for maternity leave
  - Matching RRSP contributions, starting from first day of employment
  - Supporting ongoing professional development through financial support for continuing education
  - Sponsoring employee memberships in professional and industry associations
- Cultivate**
- Continuous training, coaching and mentoring culture, including our internship program
  - DE&I training provided to all employees on how to reduce unconscious bias
  - Team engagement through social and wellness activities, including Instar’s Trees & Bees events
  - Committee which meets quarterly to discuss and implement DE&I initiatives
  - Eligibility for carry for all employees and the opportunity for participation in Instar’s investment funds
  - Performance incentive programs with ESG-specific targets across the entire organization





# OUR GOVERNANCE APPROACH

**Instar is a signatory to the 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. Instar is also a public supporter of the Task Force on Climate-Related Financial Disclosures (TCFD), demonstrating our commitment to working towards our own implementation of the TCFD recommendations to increase transparency on climate-related risks and opportunities within financial markets.**

ESG elements are overseen on a regular basis at multiple levels at Instar.

Instar's **Executive Committee**, which includes the CEO, COO, and two managing partners, is responsible for the company's ESG strategy. The Executive Committee meets weekly and sets standards for investment origination, execution and portfolio management processes and operations, including ESG practices and progress and climate risk management. This committee periodically reviews our ESG Policy to ensure that it is continuously relevant and applicable as our strategy around ESG progresses and evolves.

Instar's **Investment Committee**, which comprises the Executive Committee and senior investment professionals, reviews diligence findings, risks and mitigation strategies, and value creation plans for each proposed investment, including ESG and climate-related risks and opportunities. Our Investment Committee considers all material issues and the overall sustainability profile of the business, approving all investments made by Instar.

**Senior professionals of Instar's investment team** are responsible for ESG matters related to our portfolio investments, both in the pre-investment and portfolio management phase, in collaboration with Instar's ESG professional, stakeholder relations and legal teams.

Instar provides its investment team with regular education on ESG-related topics, including, but not limited to:

- Understanding ESG frameworks
- Developing an approach to scope 3 emissions
- Climate risk assessment
- ESG throughout the due diligence phase
- Diversity, equity and inclusion
- Sustainable finance strategies

Instar's **dedicated ESG professional** leads the day-to-day implementation and coordination of Instar's ESG approach and processes.

**External ESG specialists** are also retained and appointed to assist on specific technical subjects, such as climate risk assessments.

Our team of professionals is complemented by Instar's **Advisory Board**, which provides management with strategic guidance and specialized advice and counsel related to business development, due diligence, portfolio management and the sourcing of investment opportunities. The Advisory Board includes knowledgeable and experienced professionals in the alternative asset and private capital markets. Board members meet quarterly to review and discuss all aspects of operations, including proposed investments and ESG topics such as climate risks.

**100%** of our portfolio companies have a subcommittee that reports to the board on ESG and sustainability matters, including Health & Safety performance.

## At Our Portfolio Companies

Instar focuses on the stewardship of all our investments through our board positions, management relationships and overall corporate governance. ESG is incorporated into our governance practices at each portfolio company as a strategic matter. It is addressed in board-level reporting and discussion, ensuring its prominence throughout the organization and that it is embedded in the company's purpose. ESG is integrated into the compensation structure for executives through mandates to achieve strategic priorities and business goals that focus on the critical safety, environmental, customer, employee and financial aspects of the business, including investing capital in ways that minimize risk and maximize return.

Instar has implemented ongoing ESG management and reporting practices across its platform to monitor how the activities of our investee companies impact the environment and the communities in which each business operates. This systematic reporting allows us to track developments during our ownership period and to identify and prioritize the management of material ESG risks and opportunities.



# OUR STRATEGY


Instar invests in scalable middle-market businesses providing essential products and solutions. We focus on opportunities in the energy transition, technology, transportation and logistics, environmental and social sectors, investing in businesses that are positioned to address the following themes:

- Lowering greenhouse gas emissions and achieving carbon neutrality
- Managing the socio-economic impact of aging populations
- Leveraging rapid digitization, data analytics, and artificial intelligence
- Improving the security and safety of local supply chains
- Preserving ecosystems, human health and economic opportunity

This approach aligns our investment strategy with our purpose as an organization to enrich people’s lives through investment in essential businesses supporting local economic growth, quality of life and the lowering of inequality. Instar’s investment team targets opportunities poised to benefit from strong macro tailwinds, identifying ESG practices and qualities that can generate a risk-return dynamic that aligns with our core value-added investment strategy.


### MACRO TRENDS SHAPING INFRASTRUCTURE INVESTMENT OPPORTUNITY

Instar invests in dynamic, scalable businesses that matter to the functioning, fairness, health and economic prosperity of society and that are poised to address the following themes:




#### DECARBONIZATION

Drive to lower greenhouse gas emissions and achieve carbon neutrality




#### DEMOGRAPHIC TRENDS

Managing the socio-economic impact of aging populations




#### TECHNOLOGY

Leveraging rapid digitization, data analytics and artificial intelligence



#### LOCALIZATION

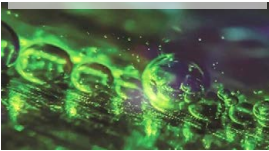




Improving security and safety of local supply chains



#### COMMUNITY RESILIENCY

Preserving ecosystems, human health and economic opportunity

Instar seeks to diversify its investments to achieve a more resilient portfolio that is capable of supporting a low carbon economy transition.

Energy Transition	Transportation & Logistics	Technology	Environmental	Social
<ul style="list-style-type: none"><li>• District energy</li><li>• Transition fuel</li><li>• Waste-to-value</li><li>• Microgrid</li><li>• Battery storage</li></ul>	<ul style="list-style-type: none"><li>• Inland terminals</li><li>• Specialty ports</li><li>• Business aviation</li><li>• Rail services</li><li>• Waste management</li></ul>	<ul style="list-style-type: none"><li>• Metro fiber</li><li>• Fiber to the home</li><li>• Distributed antenna systems</li><li>• Technology-enabled infrastructure</li></ul>	<ul style="list-style-type: none"><li>• Agriculture</li><li>• Water/wastewater management</li><li>• Irrigation</li><li>• Nature-positive businesses</li></ul>	<ul style="list-style-type: none"><li>• Land and health registries</li><li>• Systems and structures that support essential community services</li></ul>
				

Instar avoids investment opportunities with profiles that we believe may be associated with significant risks and liabilities to the environment, society or health. These include:

- Companies that generate their revenue from coal production or coal-fired power generation, oil sands and other conventional energy businesses
- Companies using environmentally unsound technologies
- Companies that have a negative social impact
- Companies or projects that do not respect or follow human rights, including the use of child or forced labour or engaging in discriminatory practices





# RISK MANAGEMENT

At the fund level and across our portfolio investments, we work to foster a risk culture where managing risk is everyone's responsibility. This awareness and priority are embedded within our management routines, including regular management and staff meetings, monthly and quarterly asset performance reviews, and regular engagement between senior management and our legal and operations teams. Our risk management practices include: governance oversight (through the Executive Committee) and embedding a risk-management mindset within our culture across the firm; policies and procedures tailored to Instar's business activities and the unique risks, regulatory obligations and nature and size of our portfolio companies; compliance procedures, including Anti-Money Laundering and Know Your Customer review; tracking and issues management at the corporate and portfolio company levels; and regular annual training on Instar's corporate policies and Anti-Money Laundering and cybersecurity practices. We have also established robust governance structures at each portfolio company, including independent directors and defined committees. These committees address the following: Audit, Finance and Risk; Governance; and Operations.

While we establish risk registers for our portfolio investments as noted above, we believe risk management is fundamentally a communication process requiring regular interaction between the project or portfolio-level team and our investment team and portfolio managers. Within the first 100 days of investing in a business, we discuss material ESG risks and opportunities identified during due diligence, including the climate scenario analysis. In our ongoing portfolio management and monitoring activities, Instar ensures that key ESG risks and mitigation strategies are managed through regular ESG strategy meetings with our dedicated ESG professional, portfolio companies and investment team. Through our regular engagement with our portfolio companies, we have been able to work in partnership towards obtaining more complete and accurate information related to climate-related risks and carbon emissions, particularly in quantifying scope 3 emissions which can be challenging due to lack of actual data available.

## Cybersecurity and IT

**Companies are confronted by an ever-changing threat landscape and a rapidly evolving array of technologies. This has a direct bearing on how Instar approaches cybersecurity and IT with our dedicated in-house technology and cybersecurity expert. At Instar, cybersecurity and IT are key considerations throughout the M&A lifecycle, from initial due diligence, during the holding period and through to divestment.**

During the diligence process, a methodological approach is followed for both cybersecurity and IT. The key objective of diligence is to identify areas of both risk reduction and value creation before an investment is made. The Instar diligence methodology is continuously refined, considering operating industry nuances, new and emerging technologies, capabilities and other lessons learned. The findings from the diligence become a key input into tangible actions as the lifecycle shifts into the holding stage.

Throughout the holding stage, Instar collaboratively establishes and guides portfolio companies' cybersecurity programs and technology roadmaps. This is integral to ensure our portfolio companies' cybersecurity posture is matured, a clear technology roadmap tied to business goals is defined, and risks are identified and remediated.

## Climate-Related Risks

In pre-investment due diligence, transition risks associated with energy costs and carbon regulations, policy and legal, technology, market and reputational risks are evaluated as part of the financial assessment. The investment team determines which risks are most material and likely to have financial impact on the success of the investment. We engage external specialists to perform a climate scenario analysis using the middle of the road scenario, and assess physical climate risks related to wildfire, heatwaves, flooding, sea level rise, tropical cyclones, and water stress over a 20-year time horizon, which is considered to be twice the time of our expected holding period. High impact risks that have immediate financial impact are determined by the deal team during due diligence based on review of historical data and discussions with industry experts, and are addressed through various mitigation strategies in the first six months of deal close. Instar seeks to further evaluate mitigation strategies for the long term and consider alignment with a 2-degree Celsius or lower scenario. We also retroactively performed a climate scenario analysis for those portfolio companies invested in prior to our decision to incorporate climate risk assessments into due diligence. Climate-related risks and opportunities are often intertwined with business risks and opportunities, and our team works closely with the board and management at our portfolio companies to ensure that they have considered the impact on their business strategy and financial planning.



# OUR METRICS AND REPORTING FOCUS

Instar uses SASB criteria as a guide to filter and prioritize material topics for each of our portfolio companies. Materiality is defined by the potential to affect business value, the level of interest or concern for stakeholders, where we expect to set targets over time, industry relevance, and the extent to which outcomes can be controlled or influenced by our companies. We have also established a set of standard reporting indicators for our portfolio companies to monitor how the activities of each business impact the environment and the communities in which it operates, which is largely aligned with principal adverse impact (PAI) regime under the EU Sustainable Finance Disclosure Regulation (SFDR).

This systematic reporting allows Instar to benchmark ESG performance at our portfolio companies during our hold period, identify and prioritize the management of material ESG risks and opportunities, and assess our portfolio companies’ impacts and contributions towards the UN Sustainable Development Goals. Additionally, as a signatory to the UNPRI, Instar participates in the network’s assessment processes and submits publicly-available transparency reports on an annual basis.

We continuously refine our reporting process to ensure accuracy and high-quality data, helping us to develop and consider goals and measures related to the management of ESG factors at our portfolio companies. This year, we have further improved our measurement of climate-related risks through the calculation of GHG emissions intensity and the tracking of material scope 3 GHG emissions for our portfolio companies. Instar currently seeks to reduce carbon intensity at our portfolio companies and evaluate carbon reduction target strategies, aligned with a 2-degree Celsius or lower scenario in the future.

METRIC TRACKED	2021	2022	2023
<strong>Carbon Footprint</strong>			
Scope 1 emissions	◇	◇	◇
Scope 2 emissions	◇	◇	◇
Scope 3 emissions		◇	◇
Scopes 1 and 2 GHG emissions intensity		◇	◇
Total energy consumption (kWh)		◇	◇
Energy consumption intensity		◇	◇
Renewable energy consumption		◇	◇
<strong>Health and Safety</strong>			
Total recordable incident rate	◇	◇	◇
Average training hours per employee	◇	◇	◇
Number of work-related injuries		◇	◇
Days lost to injury		◇	◇
<strong>Diversity</strong>			
Percentage of employees that are considered a minority*	◇	◇	◇
Percentage of employees at are women	◇	◇	◇
Percentage of management positions held by women	◇	◇	◇
Percentage of board roles held by women	◇	◇	◇
Unadjusted gender pay gap	◇	◇	◇
<strong>Employee Engagement</strong>			
Employee survey		◇	◇
Employee survey response rate		◇	◇
Total net new hires		◇	◇
Organic net new hires		◇	◇
<strong>Environmental and Biodiversity Impacts</strong>			
Emissions to water			◇
Hazardous waste			◇
Number of sites located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas			◇

\*Note: Minority representation data not currently available at certain portfolio companies.





# TCFD ALIGNMENT

As a supporter of the Task Force on Climate-Related Financial Disclosures, Instar is committed to implementing its recommendations and considering how climate change will impact our business. The table below demonstrates Instar’s alignment to the TCFD recommendations, including where to find the relevant content.

TCFD RECOMMENDATION	DISCLOSURE LOCATION
<b>Governance</b> a) Describe the board’s oversight of climate-related risks and opportunities  b) Describe management’s role in assessing and managing climate-related risks and opportunities	Our Governance Approach  Our Governance Approach, ESG Across the Investment Cycle
<b>Strategy</b> a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term  b) Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning  c) Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2 degrees Celsius or lower scenario	Strategy, Risk Management  Strategy, Risk Management  Strategy, Risk Management
<b>Risk Management</b> a) Describe the organization’s processes for identifying and assessing climate-related risks  b) Describe the organization’s processes for managing climate-related risks  c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risks management	Risk Management, ESG Across the Investment Cycle  Strategy, Risk Management, ESG Across the Investment Cycle  Risk Management, ESG Across the Investment Cycle
<b>Metrics and Targets</b> a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process  b) Describe Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks  c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Our Environmental Impact, Our Metrics and Reporting Focus  Our Environmental Impact, Our Metrics and Reporting Focus  Our Environmental Impact, Our Metrics and Reporting Focus







# **ESG PORTFOLIO COMPANY HIGHLIGHTS**



# ESG PORTFOLIO COMPANY HIGHLIGHTS



**AMPORTS, North America’s premier automotive port logistics and processing company, is a vital link in the global supply chain of many of the world’s largest automotive original equipment manufacturers. AMPORTS provides customers with portside services in vehicle processing, including rail loading and unloading, inspection, storage, accessory installations, customizations, repairs and regulatory homologation services.**

**Spotlight: Sustainability**

In 2022, AMPORTS continued its focus on energy efficiency initiatives across its operations, completing several projects started in 2021. Two energy optimization projects were completed in 2022 at the Chesapeake Terminal in Baltimore, Maryland to upgrade to LED (light emitting diode) lighting. LEDs offer extended lifespans, reduced energy consumption and lower maintenance requirements. It is expected that energy consumption will be reduced by 50%.

With growing demand and increased regulatory support for electric vehicles (EV), AMPORTS is well positioned to play a leading role in making EVs more accessible to customers. Electric vehicles require different port-side infrastructure so, to help accelerate the adoption of EVs, AMPORTS has upgraded its infrastructure to add charging capabilities at its Chesapeake terminal at the port of Baltimore. The company is planning to implement additional charging stations in 2023, and intends to seek further development credits to build and enhance port-side infrastructure to better service OEMs.



Driven by Quality



*AMPORTS optimizes logistics for customers by offering ports of entry close to densely populated areas, thereby reducing truck miles and CO2 emissions in addition to cost savings.*

To further its environmental stewardship, AMPORTS is also implementing projects to produce renewable energy through on-site solar panels. AMPORTS’ social initiatives include a corporate donation matching program which was implemented in 2022, as well as its student internship program with University of North Florida providing opportunities for students to learn and earn.





# ESG PORTFOLIO COMPANY HIGHLIGHTS



**Based in Vancouver, British Columbia, Creative Energy is the owner and operator of one of North America’s largest district energy systems. The company develops, finances and manages innovative and sustainable urban energy systems in Canada with growth plans to expand to the United States. District energy uses economies of scale and cost-effective technology to reduce GHG emissions by eliminating the need for each building within its network to have individual boilers, chillers, heat pumps, and cooling towers.**

Creative Energy owns and operates one of the largest district energy systems in Canada in downtown Vancouver, supplying thermal energy services to more than 215 buildings across 15 kilometres of distribution pipes, and maintaining a 99.99% reliability over its 50-year operating history. In 2022, Creative Energy was approved by the regulator to introduce low carbon generation within its downtown Vancouver system as part of an overall redevelopment to reduce greenhouse gas emissions and provide a pathway to serve new real estate developments in Vancouver with more stringent carbon footprint requirements. In addition, Creative Energy has a growing pipeline of proprietary, near-term development opportunities in British Columbia, Ontario and the United States.

**Spotlight: Seṇákw Project**

In 2022, Creative Energy announced a new partnership with the Squamish Nation to develop and operate a zero-carbon district energy system on Squamish land using sewer heat energy

## CREATIVE ENERGY

3GOOD HEALTH AND WELL-BEING

5GENDER EQUALITY

7AFFORDABLE AND CLEAN ENERGY

8DECENT WORK AND ECONOMIC GROWTH

9INDUSTRY, INNOVATION AND INFRASTRUCTURE

11SUSTAINABLE CITIES AND COMMUNITIES

13CLIMATE ACTION

99.99%

reliability over 50 years operating the Vancouver district energy system

2040

Date by which the City of Vancouver will transition to zero emission buildings in all new construction

Urbanization and population growth in North America are placing greater strain on energy consumption and the environment. District energy is a sustainable, cost effective, efficient and reliable urban energy solution with the potential to attract new economic development and accelerate decarbonization.<sup>1</sup>

from Metro Vancouver’s infrastructure. The completed project will allow Seṇákw to become the largest carbon neutral rental development in Canada. Seṇákw will include 11 buildings containing over 6,000 rental units – with approximately 20% being deemed affordable – across over three million square feet of residential floor space. This will be the largest economic development in Canadian First Nations history.

Creative Energy’s innovative district energy system will capture heat from underground wastewater, extracting and reusing the energy through utility-scale heat pumps to distribute across the nearly four-million square foot development. The district energy system is expected to eliminate 140,000 tons of GHG emissions over 30 years compared to natural gas heating – the equivalent of 2.2 million tree seedlings grown for 10 years. The system is designed with capacity to expand over time, to accommodate plans to serve neighbouring buildings and interconnect with Creative Energy’s downtown Vancouver network.

Creative Energy is committed to working with the Squamish Nation to support their economic development, as well as honour their land and history, while working towards a more sustainable, equitable future together. As a regulated public utility, Creative Energy submitted the project for approval from the BC Utilities Commission in 2022 and expects the first phase of the project to be completed in 2024.

<sup>1</sup> The Importance of District Energy in Building Resilient Cities, ResearchGate, 2014.





# ESG PORTFOLIO COMPANY HIGHLIGHTS



**JET Infrastructure owns five jet fuel pipeline and terminal facilities serving major hub and origin and destination airports in the United States and two refined product fuel terminals serving urban growth centres.**

JET has identified that the decarbonization of the aviation industry is a key issue for their stakeholders and JET is addressing this by developing markets and providing greater access to biofuels and Sustainable Aviation Fuel (SAF). In 2020 they began to execute projects with this in mind and JET was one of the first in the Sacramento, California area to offer bio-blending services when they converted two existing gasoline storage tanks to biofuel tanks, added the ability to unload B100 via truck, and upgraded their entire truck loading operation to have bio-blending capabilities. Likewise, at their Stockton, California facility, JET returned storage to service to handle biofuels, enabled the rail unloading system to handle biofuels and also upgraded their truck loading operation to have bio-blending capabilities.

**Spotlight: Energy Transition and Alternative Fuels**

A number of projects were completed in 2022 to increase the efficiency of JET’s operations throughout its system. JET upgraded to a new truck interlock system at Memphis International Airport to ensure that trucks are properly connected and grounded and improve the safety of their operations. To reduce air emissions, primary and secondary seals were replaced on tankage in Sacramento. Upgrading of system components at both Miami and Fort Lauderdale



0

Total TRIR in 2022

0

Total number of EPA reportable releases

*The increasing awareness of climate change impacts and the sustainability footprint of the aviation sector supports growing demand for sustainable aviation fuel, which requires the development of new fueling infrastructure for fuel blending and to store SAF.<sup>1</sup>*

International Airports has enabled the operational staff to fine tune shipments to customers and increase our efficiency and reliability. This refinement combined with replacing an aging uninterrupted power supply and flow computer at the San Diego International Airport has allowed the facility to realize notable reductions in purchased power.

In January 2023, JET onboarded field staff, previously employed by its third-party operations and maintenance contractor, to fully insource all operations and triple its full-time headcount. In doing so, JET has enhanced safety and environmental stewardship through operational excellence and internal control of its assets. JET’s management team is focused on a smooth integration for new employees with robust training and compensation packages aimed at increasing employee satisfaction, maintaining a high level of performance and unlocking value. The recent expansion of JET’s team has also increased the number of female employees by 20%, furthering its diversity, equity and inclusion initiatives.



<sup>1</sup> Net Zero 2050: sustainable aviation fuels, IATA, 2022.



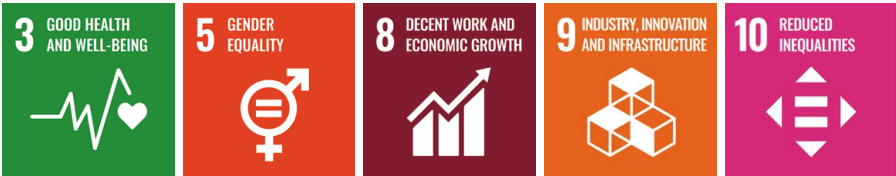


# ESG PORTFOLIO COMPANY HIGHLIGHTS



**Lightspeed Networks operates one of the largest fiber-optic networks in the U.S. Pacific Northwest, providing urban, rural, and underserved communities with accessible, high-speed internet connection and market-leading bandwidth that is transforming the regional telecommunications landscape for customers in the communities it serves. Lightspeed Networks’ mission is to provide rural communities with local service and fiber-based infrastructure that bridges the digital divide to help drive economic opportunity, quality of life and community resilience.**

In 2022, Lightspeed Networks completed its installation and launch of GPS and vehicle-use tracking systems in each of its construction vehicles. This system has enabled the company to collect live data on fuel economy, idle time, miles driven, and driving speeds by vehicle. Using this data, the safety team is also able to gain additional insights over driving patterns or other safety incidents to enable a proactive approach to safe driving education and accountability. The expanded ability to track idle time provides greater insight into overall fuel usage and vehicle maintenance needs. Further, Lightspeed Networks continues to update its fleet where, as of December 31, 2022, 20 of its 52 vehicles had a 2018 or newer model year. As each vehicle reaches its end-of useful life, the company will continue to select newer, more fuel-efficient vehicles.



**32%**  
of customers based in  
rural\* areas

*The pace of technological change is accelerating due to digital transformation of the economy and daily life. COVID-19 particularly highlighted the need for greater bandwidth as individuals were working via video conference calls, attending classes and streaming video from a single residence.<sup>1</sup>*

In 2022, Lightspeed Networks announced its acquisition of PocketiNET, which positions the business to expand into the fiber-to-the-home segment of the market, thereby furthering connectivity in regions lacking digital access. Over 2022, Lightspeed strengthened its community and stakeholder engagement strategies to procure 62 letters of support from cities, counties, small business, hospitals, school districts and fire stations about the urgent need for a fiber option in their areas. Lightspeed intends to capitalize on government funding programs and partner with local businesses, cities, tribal communities and economic development groups to facilitate the expansion of fiber infrastructure to under and unserved rural communities in southeastern Oregon.

**81%**  
employee survey  
response rate in 2022

**93%**  
employee satisfaction  
rate in 2022

\* Rural defined by US census guidance as <50,000 people per county  
<sup>1</sup> Keeping the Internet up and running in times of crisis, OECD, 2020.





# ESG PORTFOLIO COMPANY HIGHLIGHTS



**PRT is the largest outsourced provider of critical growing services for producing controlled environment container-grown forest seedlings in North America. PRT is a pioneer in commercial-scale containerized growing processes with a footprint of 40 growing, orchard, and cold storage facilities across major forestry markets in North America. As an essential link in the forest sustainability supply chain, PRT facilitates the rehabilitation of the natural environment and helps customers achieve regulatory compliance and reforestation objectives.**

PRT’s reason for being as a company is to act as a steward of renewal and growth, for generations to come. Since the company’s inception 35 years ago, PRT has assisted the building of stronger communities by offering good jobs and economic stimulus locally. Through an employee share ownership program, many members of PRT’s team are personally invested in the business, reflecting a high degree of engagement and passion for PRT’s purpose. On average, the company pays its non-salaried seasonal employees 22.5% above minimum wage in Canada and 27.5% in the U.S. as a result of its piecework plan, where employees are paid based on units of output allowing for greater earning potential.



**~630m**

number of seedlings  
grown each year

*Companies and governments around the world are seeking to significantly reduce emissions. This work will be aided by reforestation / afforestation projects to address their decarbonization and climate change objectives, exemplified by initiatives such as Canada’s Two Billion Trees program and The Trillion Tree Campaign in the United States.<sup>1,2</sup>*

PRT aims to support a sustainable planet by embracing the principles of refuse, reduce, reuse, repurpose and recycle. As such, PRT takes advantage of local recycling programs and has also instigated recycling programs within its industry to further reduce waste either by investing in better technology and equipment or by trying new products that offer a more compelling alternative. As part of its updated Environmental Management system, PRT is tracking reductions to its environmental footprint through its styroblock recycling program; reuse of seedling boxes; waste, cardboard and plastic recycling; natural gas consumption; and water and fertilizer conservation.



**In 2022, PRT grew its five billionth seedling, which was planted with One Tree Planted in Boulder Colorado, on Earth Day April 22, 2023.**

1 Planting 2 billion trees: A natural climate solution, Government of Canada, 2022.  
2 World Economic Forum, 2022. <https://us.1t.org/>





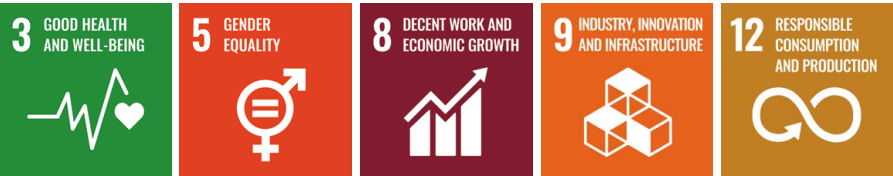
# ESG PORTFOLIO COMPANY HIGHLIGHTS



**Steel Reef specializes in building and operating essential gas-gathering infrastructure that eliminates methane emissions and creates value from a product that would have otherwise been flared or vented into the atmosphere. Steel Reef’s purpose is to enhance the energy community by: protecting and supporting its employees; partnering with its customers to find innovative ways to reduce emissions and increase netbacks; creating value for its investors; giving back to its communities; and capturing associated natural gas to prevent emissions and support government regulations.**

As a leader in flare gas capture, Steel Reef is uniquely positioned to support the pathway to decarbonization. Steel Reef participates in the Government of Canada’s Emissions Reduction Fund and the Government of Saskatchewan’s Oil and Gas Processing Investment Incentive to collaborate on new solutions to help meet emissions reduction goals for CO2, methane and greenhouse gases.

In its commitment to the environment, Steel Reef continuously seeks opportunities to lower the carbon intensity of its operations. As a company, Steel Reef has made meaningful progress in this regard through the consolidation of underutilized gas plants and the installation of waste heat recovery technology. Additionally, in its emission reductions efforts, the company will allocate capital to projects that will lead to an absolute Scope 1 and 2 reductions of ~30,000 tonnes CO2e per year. The projects approved to support this target include the Viewfield Combined Heat Power and Steelman Acid Gas Injection well.



0

releases to atmosphere

97%

of Steel Reef’s gas processed from flare gas capture

*North American decarbonization goals, stakeholder concern about climate change, and public policies and corporate strategies aimed at improving sustainability are driving increasingly stringent regulation of the energy sector, including the flaring of associated natural gas resulting from oil production.<sup>1</sup>*

Steel Reef also continues to advance important social initiatives, demonstrating a culture of safety and emergency preparedness, as well as respect for its stakeholders and commitment to the communities in which it operates. Steel Reef continues to make meaningful progress on employee engagement and diversity, equity and inclusion (DEI), including publishing a board-approved DEI policy and providing diversity, equity, and inclusion awareness training to its senior leadership team. The company has also set a range of targets to continuously enhance ESG performance in support of its growth, profitability and commitment to discipline, respect and excellence.

In 2022, the company combined donations and sponsorship committees to enhance community support and provide opportunities for employees to create greater impact in the communities in which they live and work, supporting causes such as education, health and wellness, the arts, COVID-19 relief, community recreation centres, and children’s hospitals.

7.5 million boe total gas volume processed

equivalent to 5.3 million tonnes of CO2e if flared

<sup>1</sup> Global Energy Perspective, McKinsey & Company, 2022.



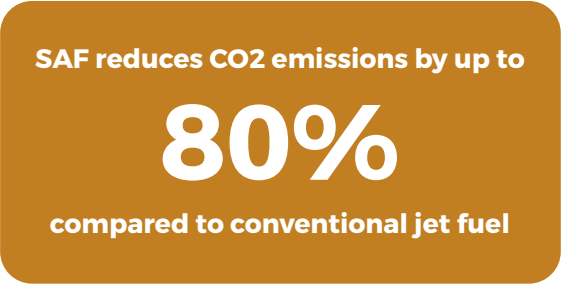
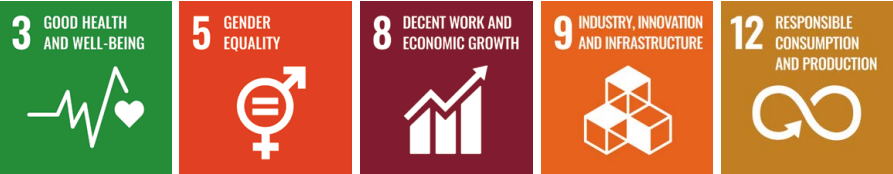
# ESG PORTFOLIO COMPANY HIGHLIGHTS



Skyservice is a fully integrated business aviation service provider offering aircraft management, aircraft charter, fixed-base operations (FBO), aircraft maintenance, and aircraft sales and brokerage. The Skyservice business is comprised of a partnership between two of Instar’s portfolio companies: Skyservice Business Aviation and Skyservice US (formerly Leading Edge Jet Center). The combined business operates in 13 locations across Canada and the U.S. Pacific Northwest, including Montreal, Ottawa, Toronto, Muskoka, Vancouver, Calgary, Seattle, Bend, Redmond, Helena and Napa.

Skyservice is dedicated to incorporating ESG considerations throughout the business to align with the company’s corporate culture. The leadership of the organization is committed to three major ESG tenets: diversity and inclusion, social engagement, and greener choices.

**Diversity, Equity and Inclusion:** Skyservice is focused on inclusion throughout the employee cycle: from hiring practices such as removing gender-biased language from job descriptions, to Indigenous awareness and communications training in the marketing department. Purposeful engagement with employees such as Skyservice Summer Luncheons, volunteer opportunities, Skyservice Sky Memos, and the newly established weekly CEO Fireside Chats highlighting leadership abilities within each employee, foster greater collaboration among the company’s diverse workforce.



**Social Engagement:** Skyservice aims to increase engagement and strengthen the communities in which it operates. The company focuses its charitable giving and social outreach on bridging the skill gap in Canadian aviation, supporting communities through sustainable environmental initiatives and promoting a fair, equitable and inclusive community. In 2022, Skyservice sponsored events promoting Hope Air, a non-profit organization that provides free travel and lodging to Canadians requiring medical care that is unavailable in their community, and Northern Lights Aero Foundation, an organization that encourages women to succeed in aviation and aerospace careers.

**Greener Choices:** Skyservice has implemented a variety of initiatives to reduce the company’s CO2 footprint and environmental impact, including commitments to explore sustainable aviation fuel (SAF) options whenever possible, reduce harmful chemicals used in operations, and increase energy efficiency. Skyservice’s Redmond FBO facility supports aircraft with electric ground power units rather than diesel; a concept that will continue to be adopted as replacement units are purchased. Skyservice has recently initiated the provision of EV charging stations at a number of parking locations to promote the usage of electric vehicles. Skyservice continues its efforts to minimize its carbon footprint by expanding the company’s sustainable development approach to focus on Zero Energy Buildings, which is currently in process at new Skyservice facilities, including the exploration of rooftop solar, EV charging and radiant heating solutions.





# ESG PORTFOLIO COMPANY HIGHLIGHTS



**Recognized as one of North America’s premier mushroom producers, Windmill Farm’s vertically-integrated operations include the only fully enclosed composting facility on the continent and two state-of-the-art indoor mushroom production facilities, which total 450,000 square feet in size and produced over 28 million pounds of mushrooms in 2022.**

For over 60 years, Windmill Farms has focused on sustainable and ethical growing practices through its technologically advanced, Dutch-style facilities, producing organic, pesticide-free and fungicide-free mushrooms for customers across Canada and the United States. The company’s vertically integrated operations leverage water recycling, waste reduction, low-energy lighting, and computer-managed irrigation to minimize the overall ecological impact of the growing process. Windmill Farms’ focus on environmental hygiene, traceability of products, and advanced facilities have resulted in zero food safety incidents over the last decade. The company’s commitment to food safety is further exemplified by its top 1% SQF score and a 4.7/5 rating for food safety and traceability from surveys with its buyers.



In 2022, Windmill Farms diverted  
**49,000**  
tons of waste from landfill  
through its composting process

Consumers and retailers increasingly want to understand products are produced in a sustainable manner<sup>1</sup>. Mushroom growing leverages a vertical farming approach whereby significant supply can be grown with limited space, located close to densely populated areas, and with less resources (i.e., energy, water, soil) as compared to conventional agriculture.<sup>2</sup>

### The circular economy

Windmill Farms operates the only indoor composting facility in North America, which produces high-quality mushroom substrate that is required for the mushroom growing process. Compost production uses the waste from mushroom production and other agricultural processes (i.e. trimmed stems, chicken litter, corn cob) and the company’s composting technology to convert these agricultural by-products into a nutrient-rich substrate to grow its mushrooms.

At the end of mushroom production, the nitrogen and moisture-rich spent mushroom substrate is shared with the surrounding farming community and reapplied to land as soil amendment, reducing water and fertilizer use in the community and facilitating a circular loop system.



1 Canada’s Food Price Report 12th Edition 2022.  
2 Sustainability, American Mushroom Institute, <https://www.americanmushroom.org/main/sustainability/>







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