



2020 ANNUAL BENEFIT + FINANCIAL REPORT

Hog Island Oyster Co.® is a California Benefit Corporation and a  Certified B Corporation - *People using business as a force for good.*



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FROM THE ISLAND

Dear Shareholders,

Well, 2020 was certainly not the year that any of us had planned! The impacts of the COVID-19 pandemic will surely affect all of us and a multitude of businesses for years to come. At the onset of the pandemic, Hog Island Oyster Company went into immediate action to scale down both our production and retail operations both to abide by state regulations but also to weather the “unknown” of the pandemic’s impact on our overall business. “Scale down” may be too benign of a term – it was essentially like going from 100 mph to 0 in a few seconds. With only a few day’s notice, we furloughed, or laid off, over 250 of our 300 employees, including those we had just hired for the imminent opening of our new Larkspur location. This was gut-wrenching, to say the least. The bottom line financials tell of only a small portion of what transpired in 2020, and even though they show a company of “health” and “value,” what we endured as a business and what we learned during this period will forever shape Hog Island’s future.

As the pandemic’s impact began to unfold, we embraced a three-step process to approach our business – Survival, Recovery, and Growth. We are extremely pleased to announce that we have survived, and we are clearly in the Recovery phase of our business. In order to survive, we had to make some difficult decisions and have learned some valuable lessons in the process. Our team is incredibly resilient. As we were forced to lay off a number of our employees (multiple times throughout the year), we, in turn, asked our upper and middle management to take on new, added, and different roles to assist with the company’s needs. We pivoted quickly to Mail Order and To-Go sales. These new avenues were supported by new technology and new communication avenues that will continue to be a part of our company’s recovery and growth. Mail Order alone brought in approximately \$1 million in revenue for the year – out of thin air! As the year progressed, we opened all our locations for outdoor dining. We then had to deal with closures due to smoke from wildfires. Through it all, our team kept great attitudes, perseverance, and grace under pressure. Overall our Marshall locations (including Tony’s) and Larkspur did well for the year. Our Napa location, and particularly our San Francisco location, were the most heavily impacted. Through this time, the support from our shareholders, our vendors, our staff, and our overall HIOC family in these new business avenues has been incredible. This support has helped keep a strong and positive energy flowing through our team during uncertain times.

As we look to the future and our recovery, we will endeavor to build a stronger financial house that includes more cash on hand, a reduced debt position, and a nimbleness to address any business adjustments placed in our way. We have negotiated reductions in our rent structures, reduced G&A, continued to pay down debt, and postponed the Convertible Debenture conversion. We have taken advantage of both PPP loans from the Federal government and are looking into the Restaurant Grants Program now enacted. After the Marin Agricultural Land Trust (MALT) put a pause on the purchase of a conservation easement on the Ranch, we listed the Ranch for sale. We can now report that MALT has re-engaged, and we are transacting a \$1.1M conservation easement purchase. We continue to manage cash flow on a weekly, if not daily, basis, as always, and are looking at adding new systems to manage inventory and cost of goods.

Today, in our Recovery mode, our business is returning at a very strong level, and we are still only open for outside dining. Mail Order is a significant revenue stream and is now dictating a need for increased infrastructure to support. We have an incredibly smart management team in place at all restaurants and production facilities that are looking to grow (but) responsibly and with stronger cost measures in place. Changes in the way we manage our business will evolve into a new organizational structure that will better position our strengths and minimize our weaknesses. We have a strong cash position and are now looking at reducing debt and supporting an infrastructure rebuild that will move us into a growth strategy in the future.

Recently, we gathered with our entire management team. We reflected on this past year, discussed what lies ahead, and caught our collective breath. We also expressed our gratitude to each other and took some time to remind ourselves of who we are. Our Guiding Principles - Business the Right Way, Great Food, Exceptional Service, Authentic Relationships, and Fun is Important – matter now, more than ever. The importance of our Hog Island Community of shareholders, employees, stakeholders, and friends is and will be key to our continued growth and success.

Your support during these challenging times will never be forgotten.

With gratitude,
John, Terry, Scott





CULTURE, VISION + VALUES

We Cultivate The Best

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For the first 20 years of our history, we grew very slowly. Boots in the mud and oyster culture by trial and fire. Along the way, we started to realize that we had built something special, a company with “mojo” – a place where people enjoyed working and were proud to be associated with. We had created great culture.

As our company has grown we have realized that, much like oysters, great cultures require thoughtful cultivation. This led us to establishing the Hog Island Guiding Principles. Hog Island’s Guiding Principles define our company’s core values and help nurture the culture we have built, and the type of business we strive to be. The foundation of our Guiding Principles is: The “How” matters – the way in which we achieve results is as important as the results themselves.

***Our promise to ourselves and our customers is to Cultivate the Best. Our guiding principles are how we achieve our promise.***

# GUIDING PRINCIPLES

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## BUSINESS THE RIGHT WAY

We believe that doing the right thing is good business. A good business enhances the lives of all who work within it and enriches the lives of those who come in contact with it. We believe in conducting business with the 3 P's in mind: PEOPLE, PLANET, PROFIT.

## GREAT FOOD

We are in the business of growing, sourcing and serving wonderful, nourishing food. Food should taste great and be of the highest quality - delicious, nutritious and enjoyable to eat - even if it takes a little more effort or time, or costs a bit more.

## EXCEPTIONAL SERVICE

Great Food + Great Service = A Great Experience

## AUTHENTIC RELATIONSHIPS

Are the foundation of a great business. How we treat each other, our customers, our shareholders, and vendors matters.

## FUN IS IMPORTANT (NO JOKING)

We all work hard, and we spend a lot of time at work. Work should be a fun, enjoyable place. We all have a role in making it so – the energy and attitude that each of us brings makes fun possible.



# BENEFIT CORPORATIONS

## *A Global Community of Leaders*

In December of 2015, Hog Island Oyster Co. became a Certified B Corporation. Certified B Corporations are third-party certified to meet the highest standards of social and environmental performance, public transparency, and legal accountability to balance profit and purpose. This Certification has helped us measure and align our day-to-day business practices with our Guiding Principles.

In May of 2016, with your support, we took the next step and legally registered as a Benefit Corporation, re-writing our corporate bylaws to protect Hog Island Oyster Co.'s values and Guiding Principles for the long-term. Benefit corporations are for-profit businesses that commit to creating public benefit and sustainable value in addition to generating profit.

***B Corporations are a community of leaders, driving a global movement of people using business as a force for good. They include:***



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**3,905**

COMPANIES

**150**

INDUSTRIES

**74**

COUNTRIES

**1**

UNIFYING GOAL



# CERTIFIED B CORPS + BENEFIT CORPORATIONS

## What's The Difference?

Benefit corporations and Certified B Corporations are both leaders of a global movement to use business as a force for good and meet higher standards of accountability and transparency. Both create the opportunity to unlock our full human potential and creativity to use the power of business for the higher purpose of solving society's most challenging problems. They share much in common and are complementary, but have a few important differences.

The B Corp Certification is a third-party certification administered by the non-profit B Lab, based in part on a company's verified performance on the B Impact Assessment. The benefit corporation is a legal structure for a business, like an LLC or a corporation. Benefit corporations are legally empowered to pursue positive stakeholder impact alongside profit. Some companies are both Certified B Corporations and benefit corporations, and the benefit corporation structure fulfills the legal accountability requirement of B Corp Certification.

### CERTIFIED B CORPORATION

#### Accountability

Directors required to consider impact on all stakeholders

#### Transparency

Must publish report of social and environmental performance

#### Performance

Score at least 80 on B Impact Assessment

#### Availability

Available to every business

#### Cost

B Lab fees from \$500 to \$50,000 a year

#### Role of B Lab

Certifying body with oversight, support services, and connection to B Corp community

### BENEFIT CORPORATION

#### Accountability

Directors required to consider impact on all stakeholders

#### Transparency

Must publish report of social and environmental performance

#### Performance

Self Recorded by Corporation

#### Availability

Corporations only in 30 U.S. states and D.C.

#### Cost

State filing fees from \$70-\$200

#### Role of B Lab

Developed model legislation and works for its passage and use, no role in oversight





# SUMMARY OF BENEFITS

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## **A COMMUNITY OF LEADERS WITH SHARED VALUES**

The strength of the B Corp community—and the sense of being part of something bigger than our individual business—is one of the most deeply fulfilling aspects of B Corp certification.

## **PROTECTING HOG ISLAND'S MISSION**

B Corps, in addition to meeting rigorous standards of social and environmental performance, amend their governing documents to be more supportive of maintaining their social and environmental mission over time.

## **IDENTIFYING AREAS OF IMPROVEMENT**

B Corp certification is an independent, rigorous, third-party standard that evaluates every aspect of our business—from how we treat our workers, to our community involvement, to our overall effect on the environment. We believe this will help us continue to create social, environmental, and financial value.

## **ATTRACTING AND RETAINING TOP TALENT**

Many studies have shown that the best people want to work for a company with a larger purpose. B Corp certification helps us signal to prospective and existing employees that we are committed to using business as a force for good.

## **BUILDING A COLLECTIVE VOICE**

Many of the movements taking place around the globe – from clean tech, microfinance, and sustainable agriculture to the buy local and cooperative ownership movements – are manifestations of the same idea: how to use business for good. The B Corporation organizes and amplifies the voices of this diverse marketplace behind the power of a unifying brand.





# ANNUAL BENEFIT REPORT

## 2020

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Hog Island Oyster Co. Inc is a legally-incorporated benefit corporation in the state of California. A benefit corporation is a corporation that has voluntarily met the highest standards of corporate purpose, accountability, and transparency.

Benefit corporations have a corporate purpose to create a material positive impact on society and the environment, have expanded the fiduciary duty of their directors to include consideration of stakeholder interests, and are required to report on their overall social and environmental performance.

# B IMPACT REPORT

The B Impact Report is a quantitative and qualitative summary of Hog Island's overall social and environmental performance assessed against the B Impact Assessment (BIA), a third party standard created by the nonprofit B Lab. The BIA assesses Hog Island's performance in the areas of environment, workers, community, and governance.

|                | COMPANY SCORE | MEDIAN SCORE |
|----------------|---------------|--------------|
| COMMUNITY      | 41            | 27           |
| ENVIRONMENT    | 19            | 7            |
| GOVERNANCE     | 7             | 6            |
| WORKERS        | 21            | 18           |
| <b>OVERALL</b> | <b>87</b>     | <b>55</b>    |



## THIRD-PARTY ASSESSMENT

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Hog Island Oyster Co. Inc selected the B Impact Assessment (BIA) as the third party performance standard to prepare this benefit report because it is the most widely-used impact measurement and management tool in the world.

The BIA is used by more than 50,000 businesses to measure, compare, and improve their overall social and environmental performance, as well as by an increasing number of investors, business associations, and government entities serious about understanding and benchmarking the impact of the companies in which they invest and with which they do business.

The BIA is governed by the nonprofit B Lab and meets the statutory requirement that a third party standard must be comprehensive, credible, transparent, and independent. More information about the BIA and B Lab is available at [bimpactassessment.net](https://bimpactassessment.net).

## STATEMENT FROM THE BOARD

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The Board of Directors of Hog Island Oyster Company prepared the following statement pursuant to Sections 14630 and 14621 of the California Corporations Code, "In the opinion of the Board of Directors of Hog Island Oyster Company, the benefit corporation succeeded in pursuing its general public benefit purpose in all material respects during the period covered by this report.





## **2020 BOARD MEMBERS + COMMITTEES**

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### **JOHN ASH**

*Compensation Committee*

### **ANNA BEUSELINCK**

*Executive Committee*

### **JOHN FINGER**

*Executive Committee Chairman,  
Compensation Committee*

### **KIM JORDAN**

*Compensation Committee Chair*

### **BLAIR LAMBERT**

*Audit Committee Chair*

### **MICHAEL MENIKTAS**

*Audit Committee*

### **TERRY SAWYER**

*Member at large*

### **SCOTT WOODWARD**

*Board Chairman, Executive Committee*

### **PHIL WOODWARD**

*Chairman Emeritus*

END

