



**HOG**  
ISLAND  
**OYSTER**  
CO.

**2018**  
ANNUAL  
BENEFIT &  
FINANCIAL  
REPORT

**HOG ISLAND OYSTER CO. IS A CERTIFIED B CORP.**

Certified



Corporation

People using business as a force for good

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# BUSINESS AS A FORCE FOR GOOD



## From the Island.

**Shareholders.** One of the business organizations we belong to defines what they call the 7 P's integral to the success of privately held companies. Some of these are obvious – Profit, People, Purpose, etc. -- but the one that defines 2018 for us is Perseverance. Sometimes you just need to put your heads down and push through things...

Our restoration and remodel of Tony's Seafood is finally complete – after 14 months. Dale has touched on some of the challenges but, in general, remodeling a structure built over the water in California is not for the faint of heart. However, we are now finally open and have been receiving glowing feedback. We are planning our Annual Shareholders Celebration at Tony's on June 2nd so if you haven't stopped by yet, we look forward to sharing the results with you then.

We have had continued success with our Nursery operation in Humboldt Bay. We are on a steep learning curve in the Hatchery and hope to improve our rate of success this year. Hatcheries are tricky but, as we've said, necessary to the long term success of our company. We are continuing to experience frustration in obtaining a growing area lease in Humboldt Bay to grow market product. We have been and are continuing to explore several options, but so far have not had success. Much of this is due to the permitting landscape in California.

We've made much progress on the plan for the Ranch. We have a site development plan that has been blessed by Marin Agricultural Land Trust, and we are now in the last phases of the conservation easement purchase negotiation.

Thanks to many of you and some other friends and family, we successfully raised \$1.5M in our convertible debenture offering, most of which will fund the construction and build out of our next restaurant at Marin Country Mart in Larkspur Landing. We have engaged architects and engineers and are close to submitting for permits. We hope to open this location by September. The plan is to host our Shareholder Holiday Celebration there in December. There were also other share transactions throughout the year with a total of 7,320 shares changing hands, resulting in four new shareholders. We are now a family of 124!

We hope to see many of you at our Annual Meeting on May 22 at the Ferry Building in San Francisco. As usual, we'll have some oysters and wine afterwards and toast to our future.

**Onward,**  
*John Finger, Co-Founder and President*  
*Terry Sawyer, Co-Founder and VP*

# From the Board.

2018 was a challenging year in many respects. Despite that, revenues advanced to \$22,693,000, a 7% increase over 2017. More importantly, the company eked out a small profit similar to last year. The company sold 5.4 million oysters in 2018, 2.8 million of which were homegrown.

A significant development was hiring Tim Wolfli as Chief Financial Officer, the company's first. Another significant event was raising \$1.5 million in convertible debenture notes that will fund the new Marin County Mart restaurant. At the conclusion of fiscal 2018, the project was in the planning and permitting stages with the landlord, architect and the City of Larkspur.

Opening a new restaurant is daunting enough but the "remodel" of Tony's Seafood was particularly complex and burdensome. This isn't the venue to get into specifics, but to let you know these are the government entities who claimed jurisdiction, slowing the project's completion: Army Corps of Engineers, California Coastal Commission, California Regional Water Quality Control Board, State Fish and Wildlife, Marin County Environmental Health, Marin Fire Safety, Marin Building Department, Marin County Public Works for ADA compliancy. Finally, with all "t's" crossed, all "i's" dotted, Tony's reopened in March 2019.

Due to the lengthy delays, and needing to retain our key people who will manage Tony's, labor costs were negatively impacted in fiscal 2018, which weakened the company's overall cash position.

To date, HIOC has invested \$4.5 million in Humboldt, the company's largest investment. While Humboldt still shows a loss, progress is being made in both the hatchery and the nursery. Outside seed sales are growing as is the company's reputation for quality seed. Inquiries are coming from as far as Washington state despite there being no shortage of seed in the market.

To make Humboldt as successful as intended, it is critical to get our own oysters planted in Humboldt Bay. However, for the past three years, the State Lands Commission and the Humboldt County Harbor District have been at odds over what parcels have been leased, what parcels can be leased, with conflicting lessor claims that go back to the days of lumbering and fisheries. At the conclusion of 2018, some progress was being made. Not waiting for government action though, HIOC management is vigorously pursuing possible long-term subleases from other existing lessors.

Finally, I am pleased to invite you to our **2019 Hog Island Oyster Company Annual Business Meeting, Wednesday, May 22, 2019, 5:00 pm at the Ferry Building in San Francisco. The Annual Shareholders Celebration will be held June 2, 2019 at Tony's Seafood Restaurant in Marshall, 3-6 pm.** Come enjoy the fruits of much labor.

Full details of the Meeting and resolutions are included in this packet. If you would like to vote on the resolutions but cannot attend the meeting, you may appoint a proxy to exercise all or any of your rights to attend, speak, or vote. Your proxy will be mailed to you separately along with a self-addressed stamped envelope. Please complete and return it to Shareholder Relations. Thank you for your ongoing support and for being a Hog Island shareholder.

**Chairman of the Board,**  
*Dale F. Bentson*

# On a personal note.

It has been my distinct pleasure to be part of the Hog Island family since 1996 when wife Wendy and I invested in John and Terry's little oyster company on Tomales Bay. Why not? We loved oysters, Tomales Bay was scenic, and we liked John and Terry.

In 2003, John and Terry had this crazy idea of opening an oyster bar in the remodeled and redefined Ferry Building. It was one of the best crazy ideas ever. I joined the board just before that venture opened, it was my kind of crazy.

My learning curve was steep since I didn't know the difference between waders and a FLUPSY (Floating Upweller System - I know now). It's been a fantastic ride, not always sweetness and light, that's the nature of small companies, but there is a certain cockeyed satisfaction in dealing with the problems of growing a small business.

Because John and Terry grew a great product, Hog Island became a great brand, word spread, and the company grew. However, it didn't grow solely because of great oysters, it took their hard work, building an infrastructure, taking risks, being diligent, fostering a superb company culture, staying informed, learning how to manage a growing concern, developing enduring relationships with shareholders, while never losing sight of the overriding goal of sustainability and nurturing nature. And now, we've all embraced the B Corporation mantra of using business as a force for good.

My first year on the board, 2003, revenues were \$1,343,383.74, this past year revenues approached \$22.7 million with projections of \$25 million this year and \$28 million next year. In 2003, there was a handful of employees, now well over 200 employees with a Department of People to manage the manpower.

The board of directors and management have had their ebb and flow, we've discussed, we've argued, we've disagreed, we've compromised, we've agreed, and we've all learned much together. In the end, it was always about the positive relationships with our employees, our shareholders, with each other, and those with whom we do business, and the integrity of our products.

Working with the current board of directors, Terry, John, Scott, Bruce, Anna, Michael, John Ash, and Blair has been immensely rewarding. I also want to mention Jodi Stevens, COO, who over the years answered a boatload of my questions ranging from financials to operations to what time the next party was starting, and always did so with alacrity.

Wendy and I are relocating to Boston sometime this year to be nearer son, daughter-in-law and two young grandsons. Yes, only crazy people move from San Francisco to a four-season climate. Then again, we've done some other crazy things in our lives.

It's been a pleasure. Thank you.

**Out going (but not always outgoing) chairman,**  
Dale Bentson



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

# CULTURE, VISION & VALUES

## *Cultivating 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.**

# GUIDING PRINCIPLES

## 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.



**HOG ISLAND OYSTER CO. is a Certified B-Corp**  
**People Using Business as a Force for Good**

# 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**.

"Becoming a Benefit Corporation is what cements our values forever. B Corp Certification provides us with metrics that help us measure and manage our positive impact on workers, community, customers and environment."

-Jodi Stevens  
Chief Operational Officer

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

**2,778**  
Companies

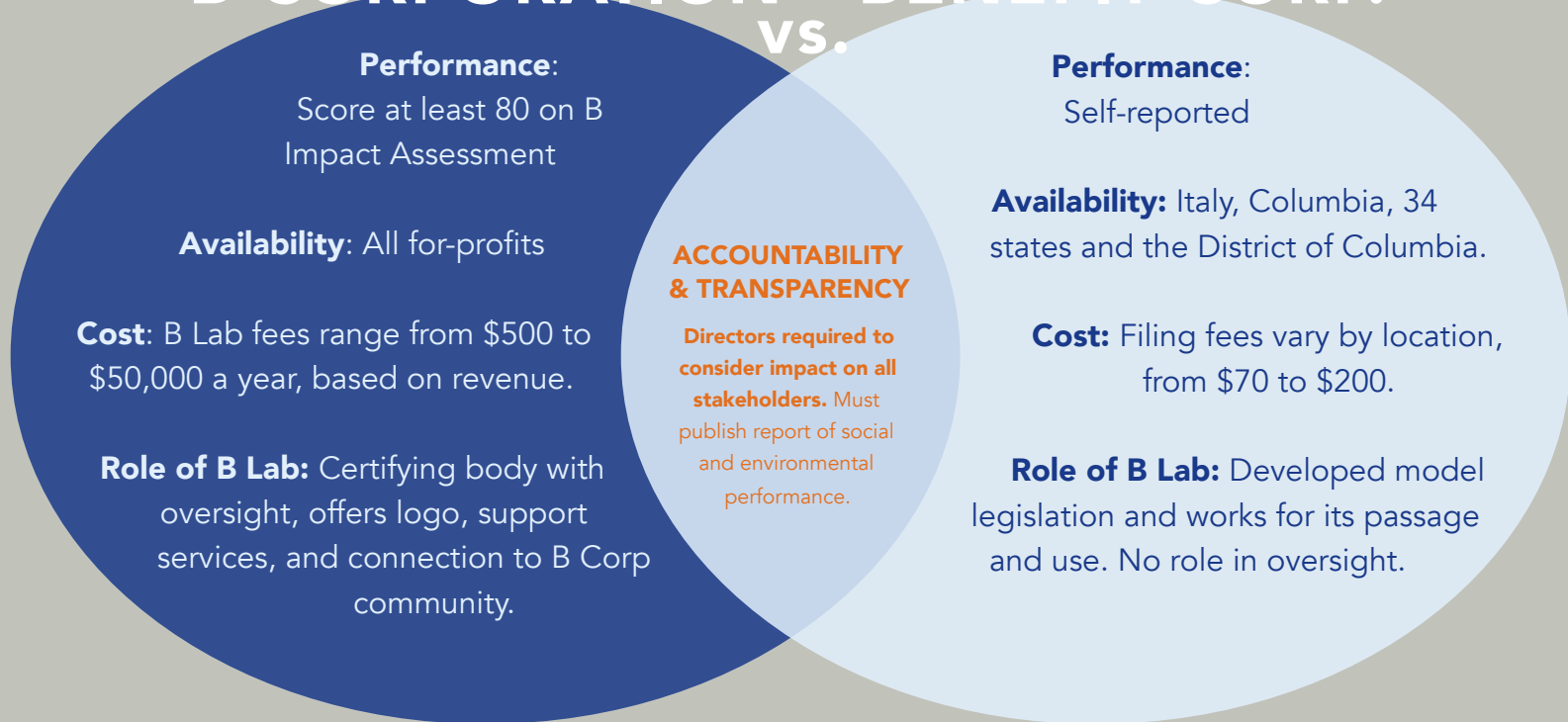
**150**  
Industries

**60**  
Countries

**1**  
Unifying Goal



### B CORPORATION VS. BENEFIT CORP.





# Summary of Benefits

**A Community of Leaders with Shared Values.**

**Protecting Hog Island's Mission for the Long Term.**

**Identifying Areas for Improvement.**

**Attracting and Retaining Top Talent.**

**The best people want to work for a company with a larger purpose.**

**Building Collective Voice.**

"We were thrilled to be a part of the first night's service at the newly re-opened Tony's restaurant, now owned by the good people at Hog Island Oyster Company. Hog Island's commitment to sustainable aquaculture, responsible business practices and support for their community is inspiring, and we are honored to be their neighbor, business partner and friend."

**-John Calmeyer**  
McEvoy Ranch





# 2018 ANNUAL BENEFIT REPORT

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.

### ENVIRONMENT

**19**

Company Score

**7**

Median Score

### WORKERS

**21**

Company Score

**18**

Median Score

### COMMUNITY

**41**

Company Score

**27**

Median Score

### GOVERNANCE

**7**

Company Score

**6**

Median Score

### OVERALL

**87**

Company Score

**55**

Median Score

# PERFORMANCE HIGHLIGHTS

To highlight our performance, here are some of the improvements we have made since we initially certified as a B Corp.

## 2018 Improvements:

- Created a paid professional development program for employees
- Undertook new board member on-boarding process to ensure alignment of board members with HIOC company culture
- Worked with significant suppliers that:
  - use at least 10% renewable energy at their facility;
  - track and report generation / recycling / reduction of hazardous waste;
  - have reduced GHG emissions over the past two years;
  - have initiatives to reduce / divert waste from landfills; and
  - use closed-loop water recovery systems
- Assess primary suppliers of core products with respect to our Supplier Code of Conduct every other year
- Conducted a waste audit to identify ways to reduce the company's generation of universal and non-hazardous waste
- Worked towards reducing GHG emissions by implementing carbon reduction practices at the ranch in Marshall

**100%**

*of hourly workers are now paid a living wage*

**\$117,775**

*donated to local non profits benefiting our local community.*

**65%**

*Increase of employees who took paid time off to volunteer in our communities.*

**29%**

*Eligible Employees enrolled in full-matching employee retirement plan through Green Retirement.*

“Proper oyster farming not only produces great seafood, it can be a powerful, regenerative force in estuarine ecosystems. As an ecologist, one of the things I love about working for Hog Island is their commitment to scientific engagement. Collaborating on a wide range of projects - with topics ranging from ocean acidification to eelgrass recovery to harmful algal blooms - keeps us nimble and resilient in the face of environmental change and on point as proactive stewards of this amazing place we call both work and home.”

**-Gary Fleener, PhD**  
Ecologist, Hog Island Oyster Co.

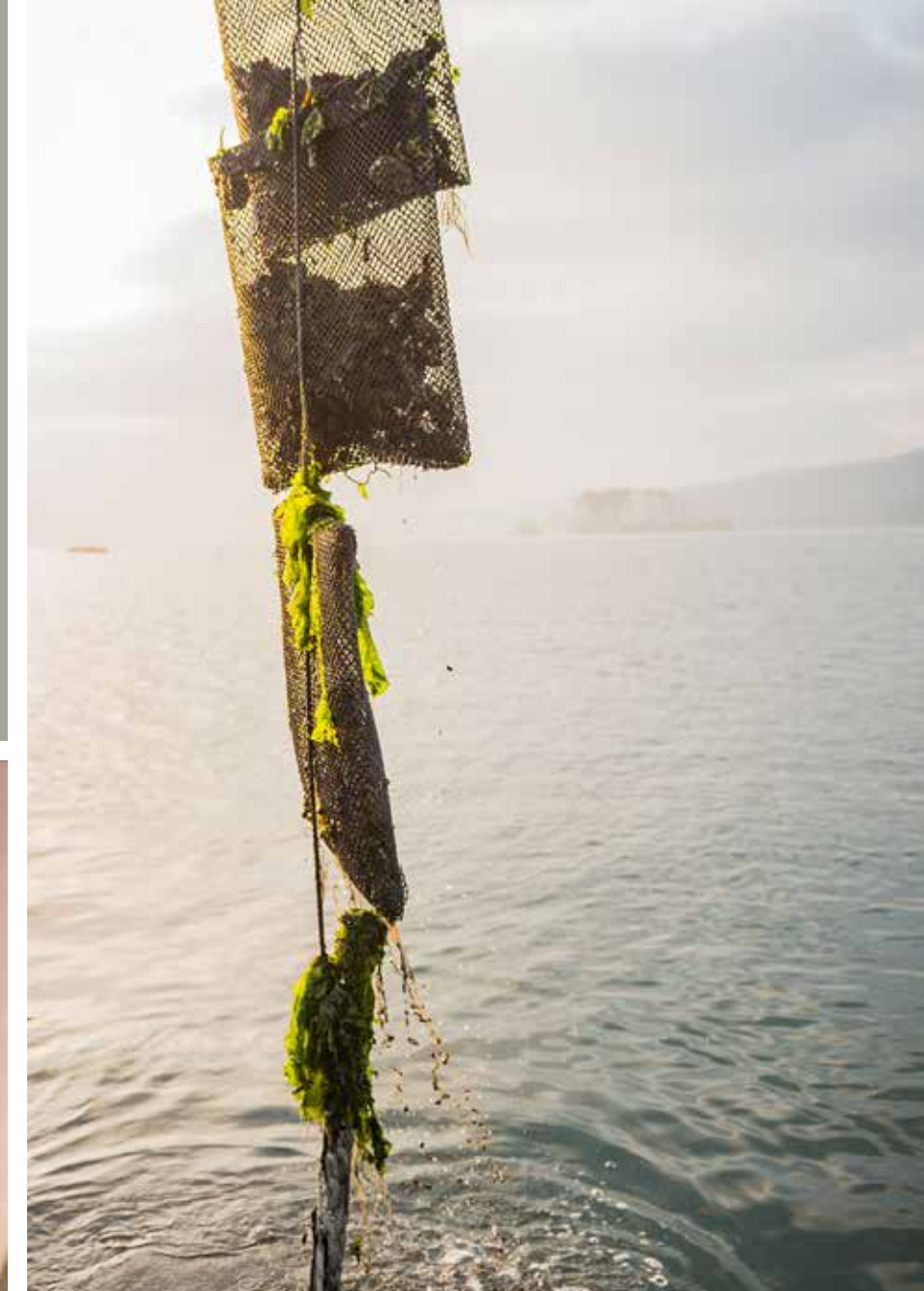
## ENVIRONMENT

Solar panels on Hog Island Oyster Co. headquarters in Marshall, CA

Monitor and record energy, water, and waste efficiency

Implemented energy conserving appliances, lighting, and HVAC systems

Active end-of-life shell reclamation program



Adopted a policy requiring inbound and outbound shipping to be transported via the lowest impact methods (e.g., avoiding air shipping where possible).

Non-toxic janitorial products and environmentally preferred office supplies

19

Company Score

7

Median Score

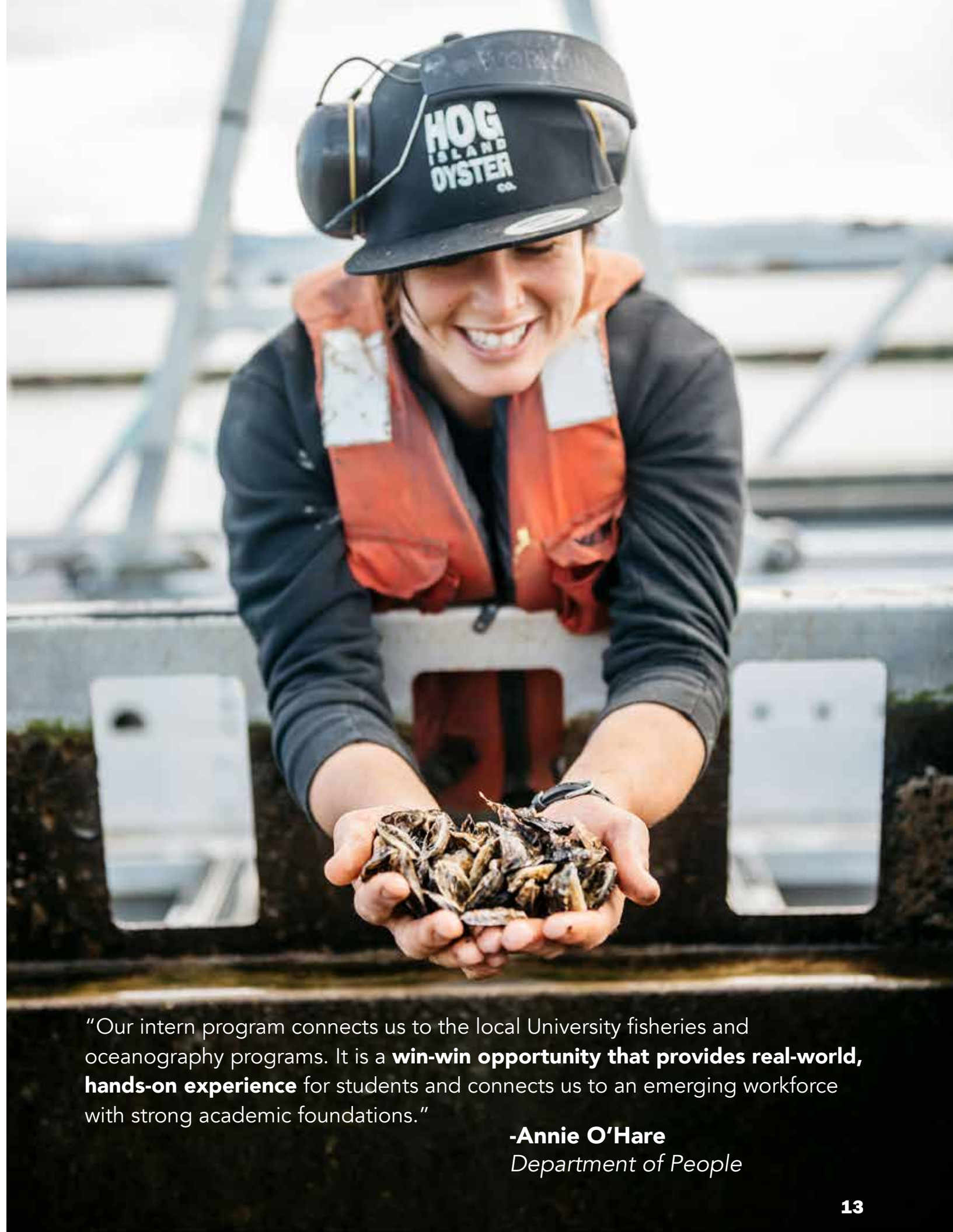
# WORKERS

Moved from offering 0-5 weeks to 6-11 weeks of paid primary caregiver leave

Behavioral health counseling services and Employee Assistance Programs

Employee retirement plan with socially responsible investing option





Full insurance coverage for full-time employees, and part-time employees qualify for health care benefits at 20+ hours per week

HSA for qualified medical expenses

Domestic partner, civil union, and same-sex marriage spousal benefits

Health and wellness activities during the workweek

21

Company Score

18

Median Score

"Our intern program connects us to the local University fisheries and oceanography programs. It is a **win-win opportunity that provides real-world, hands-on experience** for students and connects us to an emerging workforce with strong academic foundations."

**-Annie O'Hare**  
Department of People

“Community volunteering offers a chance to learn new things, try different adventures, meet new people, and have fun. Hog Island’s group volunteer opportunities help team building and getting to know people you work with better - they build camaraderie. ”

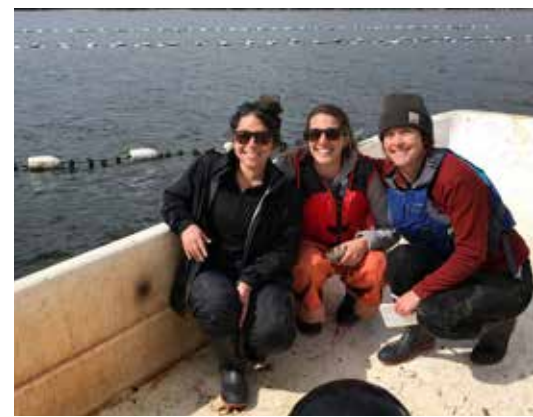
**-Daina Vitols**  
*Accounting Team*



## COMMUNITY

Adopted a volunteering policy giving employees up to 24 hours per year of paid time off

Increased employee volunteering in the community by 62% in 2018



Allow workers to select charities to receive company's donations

Drafted a formal written supplier code of conduct that specifically holds suppliers accountable for social and environmental performance.

Drafted a written policy giving preference to suppliers owned by women, people of color, or other underrepresented populations.

Majority of ownership lives locally to the company

Bank locally with Amalgamated Bank, a Certified B Corporation and member of the Global Alliance for Banking on Values

41

Company Score

27

Median Score



# GOVERNANCE

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Company treats people and planet as primary measures of success for our business

Social and environmental training included in new employee orientation, training, and instruction

Board of directors kept informed about the company's social and environmental performance

Written employee whistleblowing policy provides legal protection to workers

Provide all employees with all financial information (except salary info) at least quarterly

We also established an internal B-Corp Committee to help identify areas where we can continue to improve our social, environmental, and financial performance

7

Company Score

6

Median Score





## THIRD-PARTY ASSESSMENT

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 50,00 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](http://bimpactassessment.net).

## STATEMENT FROM THE BOARD

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.



# 2018 BOARD MEMBERS COMMITTEES

**Dale Bentson**  
Chair, Executive, Audit

**Phil Woodward**  
Chair Emeritus, Audit

**John Finger**  
Executive, Strategic Plan

**Bruce Schroffel**  
Compensation

**Terry Sawyer**  
At Large

**John Ash**  
Strategic Plan, Compensation

**Scott Woodward**  
Strategic Plan, Compensation

**Anna Beuselinck**  
Executive

**Michael Meniktas**  
Compensation

