




# 2019 ANNUAL BENEFIT + FINANCIAL REPORT

 **HOG ISLAND OYSTER CO.**® Is a California Benefit Corporation and  
Certified B Corporation - *People Using Business As A Force For Good.*

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# FROM THE ISLAND.

## Dear Shareholders,

We had our annual letter drafted and ready to go to print, and then the coronavirus pandemic hit us full force. As we outlined in our recent email correspondence to you, we are doing everything we can to hold on through this and to be prepared to come back strong when normal life returns. The next few months will definitely be a test for our business as well as for many of the businesses we deal with. We were not in a strong cash position going into this crisis, and so our recovery will be that much more difficult.

We will keep you updated throughout the next few months and let you know what, if possible, you can do to help. At this time, the Annual Meeting is still scheduled for May 17th. The meeting may need to be rescheduled as the quarantine restrictions dictate. The Annual Celebration, however, has been postponed until further notice. We will update you as the situation evolves. In the meantime, take care of yourselves and your loved ones...

## Here is the letter we had prepared:

Another year, another restaurant (and a few other projects...)

2019 marks the half-way point of significant investment into our restaurant and production operations. The opening of two new restaurants, the investment up north in Humboldt, the company's purchase and development of the Ranch to aid in infrastructure and the upgrading of our Tomales Bay growing area leases are large undertakings and ones that we anticipated taking some time to complete.

The company posted a pre-tax loss of \$355,524 in 2019, compared to a pre-tax profit of \$105,377 in 2018. The 2019 loss includes a one-time write off to inventory of \$325,336, comprised mainly of clams. We have been observing a steady

decline in clam growth, along with mortality, over the last few years due to changing conditions and permit restrictions and decided to write down the inventory value in 2019. We will be evaluating our ability to grow clams in Tomales Bay in the future.

Tony's opening, after a long delay, has received tremendous press and strong support from the local community with revenues exceeding budget. We had hoped to open the new restaurant at Marin Country Mart in the third quarter of 2019 but again ran into a number of delays, which has pushed its opening into 2020.

The company's investment into Humboldt was created to produce a future supply of oyster seed both for our existing farming operations but also to supply our future needs. The hatchery exceeded our goal of setting 7 million seed oysters and sending them along to our nursery. Our nursery produced over 15 million seed oysters, selling 10 million to other growers up and down the coast. The company is also investing in research on improving oyster broodstock with the goal of increasing survivability in our changing estuarine environments. Although these efforts result in a current operating loss, we feel they are important to sustaining a vibrant future. As we move into 2020, our biggest news is that we finally obtained a growing area lease in Humboldt Bay to grow market product. We are now beginning the permitting process and hope to be able to start planting oysters there in early 2021.

With all available resources focused on the company's growth, all departments have been focused on managing expenses, improving efficiencies and quality, while still providing the best oyster experience possible to our shareholders, customers, and employees.

2019 saw the retirement of our Board Chairman and long-time Board Member Dale Bentson. We wish Dale the best in his move to the East Coast. In addition, the Board appointed Kim Jordan, founder of New Belgium Brewery, to the Board in the interim.

As we look towards 2020, we have finalized the conservation easement purchase for the Ranch with Marin Agricultural Land Trust. They are now in the process of funding the purchase with a closing slated for late summer or early fall. We will then be able to start on the first phases of our development plan.

We hope to see many of you at our Annual Meeting on May 17th at Wood Island, near our new location at Marin Country Mart. Our annual celebration will follow at our new location. As usual, we'll have some oysters and wine afterward and toast to our future.

**NOTE: AT THIS TIME, THE ANNUAL MEETING IS STILL SCHEDULED FOR MAY 17TH. THE MEETING MAY NEED TO BE RE-SCHEDULED AS THE QUARANTINE RESTRICTIONS DICTATE. THE ANNUAL CELEBRATION, HOWEVER, HAS BEEN POSTPONED UNTIL FURTHER NOTICE. WE WILL UPDATE YOU AS THE SITUATION EVOLVES.**

Thank you for your ongoing support and being a Hog Island shareholder.

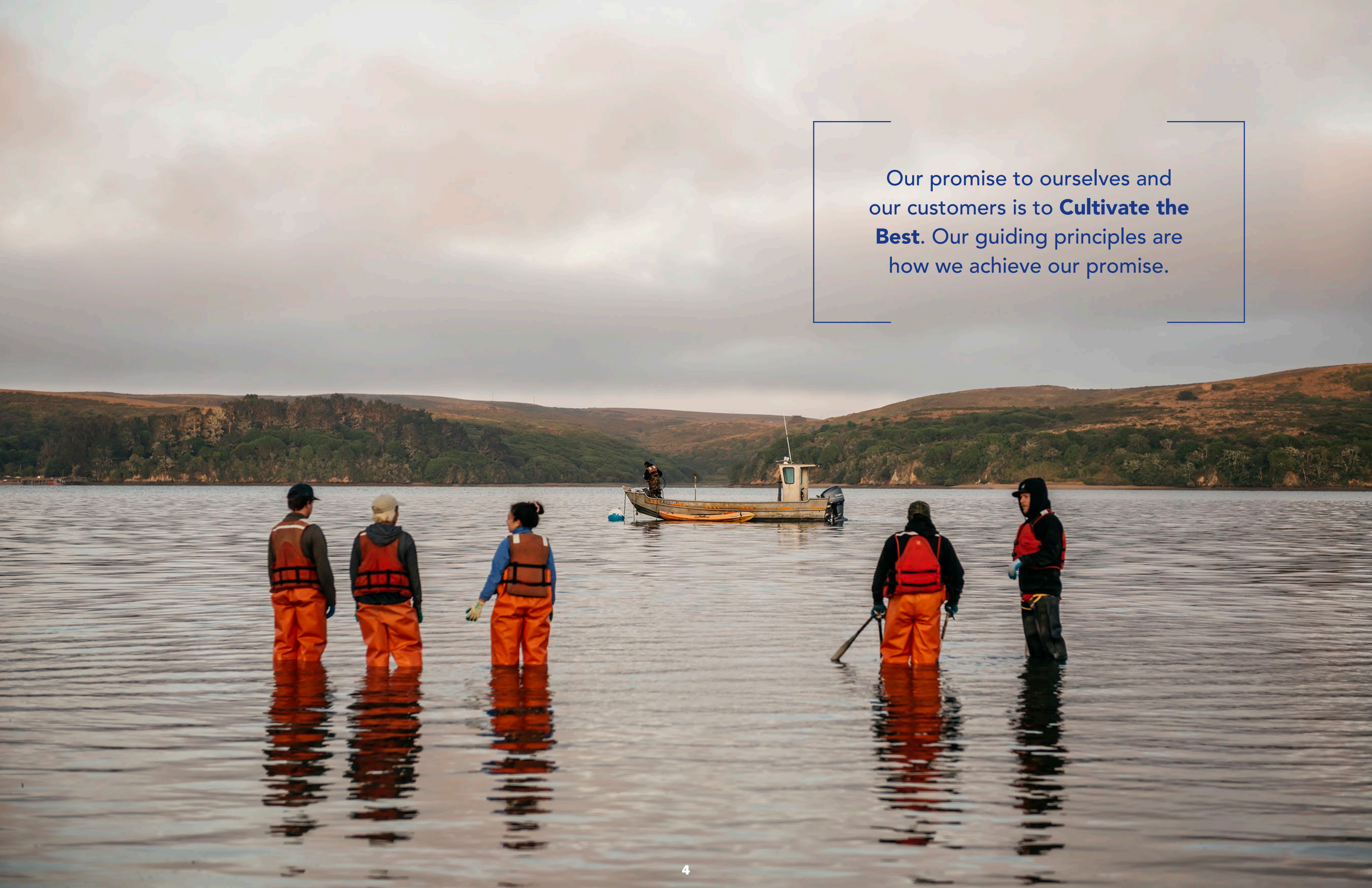
## Onward,

*John Finger, Co-Founder and President*

*Terry Sawyer, Co-Founder and VP*

*Scott Woodward, Board Chairman*

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





## 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.**

# 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.



# 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.**

**3,275**  
Companies

**150**  
Industries

**71**  
Countries

**1**  
Unifying  
Goal





## What's the difference between Certified B Corps + Benefit Corporations?

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

VS.

### 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

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



## TODAY'S OYSTERS

Hog Island Sweetwater (Pacific)  
Tomales Bay, CA

6	12	24
19	36	66
21	40	72

## TODAY'S SPECIALS

Local Halibut crudo  
celery, grapefruit, micro  
sesame oil  
Local Dungeness Crab (half)  
Roasted with garlic-herb b  
served chilled with chive ai  
Caesar Salad  
Little Gem, Boquerones, Pan  
garlic bread crouton

Part of the Hog Island® family

ables, bacon,

for \$6)

ome,

er aioli



# ANNUAL BENEFIT REPORT

## 2019

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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.

## COMMUNITY

**41**

Company Score

**27**

Median Score

## GOVERNANCE

**7**

Company Score

**6**

Median Score

## WORKERS

**21**

Company Score

**18**

Median Score

## ENVIRONMENT

**19**

Company Score

**7**

Median Score

## OVERALL

**87**

Company Score

**55**

Median Score





## 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.

# 2019 BOARD MEMBERS + COMMITTEES

**John Ash**  
*Compensation Committee*

**Anna Beuselinck**  
*Executive Committee*

**John Finger**  
*Executive Committee Chairman*

**Kim Jordan**  
*Compensation Committee*

**Blair Lambert**  
*Audit Committee*

**Michael Meniktas**  
*Compensation Committee Chairman*

**Terry Sawyer**

**Bruce Schroffel**  
*Compensation Committee*

**Scott Woodward**  
*Board Chairman, Executive Committee*

**Phil Woodward**  
*Audit Committee Chairman Emeritus*

