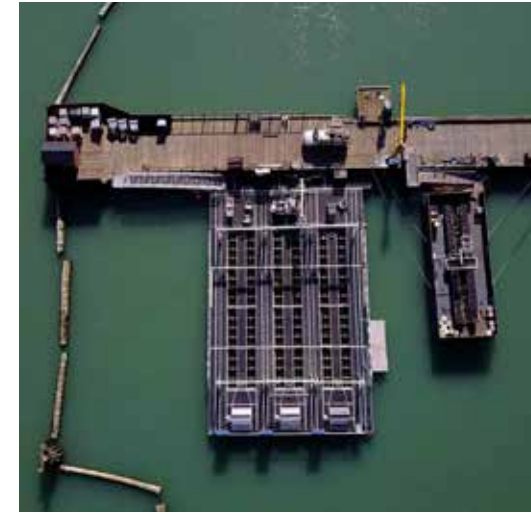




**HOG**  
**ISLAND**  
**OYSTER**  
**CO.**

Certified **MARSHALL**  
**SAN FRANCISCO**  
**NAPA**  
Corporation **HUMBOLDT**

# HOG ISLAND OYSTER CO.



# 2017 ANNUAL BENEFIT & FINANCIAL REPORT



# BUSINESS AS A FORCE FOR GOOD



# From the Board.

**Greetings.** 2017 highlights: Revenue increased \$764,000 to over \$21 million. Shareholder equity increased a modest 6.5%, from \$7.43 to \$7.91. While not a significant increase, the focus in 2017 was strengthening infrastructure that will allow us to grow with a solid foundation into the future.

Strengthening our infrastructure increased Corporate G&A by \$600,000. HIOC hired a fulltime Department of People (HR) person to better support our 200+ employees. In addition, we significantly increased our Maintenance Department staff - part of catching up to ourselves. Other contributing factors to the G&A increase were attributable to accounting consolidations and outside consultants for compensation and lease issues.

Restaurant operations continued to be strong. The Ferry Building oyster bar averaged just over \$1 million per month while Napa and the Marshall Boat both had record years. Demand remains strong for the Hog Island brand.

Long-term debt increased by nearly \$2 million, primarily attributable to the \$1.8 million note on the Leali Ranch. The company is using part of the ranch for equipment and production storage. Most of the land is currently subleased to Stemple Creek Ranch for certified organic grazing. Stemple Creek Ranch beef is in our Tony's burger.

After acquiring Tony's Seafood, the Company operated it for five months to assess what needed refurbishing and remodeling - but not long enough to produce significant revenues. Closed winter months while plans were drawn, permits applied for, contractors lined up, Tony's should reopen mid-summer this year.

Humboldt remains the Company's biggest investment, producing essential seed. Total investment to date is \$4.3 million. While Humboldt lost \$365,000 last year, \$190,000 was attributable to depreciation. Humboldt is still in its infancy and revenues and operational efficiencies are improving with experience. In 2017, six million animals were transferred from Humboldt to Marshall for grow out. In addition, the Company sold seven million seeds to outside growers with first rights to the production when grown. The Company also entered into a growing agreement with Clausen Oyster Company, Coos Bay, Oregon. In 2017, Hog Island Oyster Company sold 5.7 million oysters, approximately half homegrown, half purchased.

Lastly, I am pleased to invite you to the 2018 Hog Island Oyster Company Annual Business Meeting at the Ferry Building, Port Commission Hearing Room, in San Francisco, Monday, May 14th, 4:00 to 6:00 pm. A wine and oyster reception will follow. Hog Island Oyster Company 35th Anniversary Shareholder Celebration will be Sunday, September 9, at the farm in Marshall. Specifics will be sent out later. It will be loads of fun.

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, by completing the enclosed proxy and returning it to the Secretary.

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

**CHAIRMAN OF THE BOARD,**

*Dale F. Bentson*

# From the Island.

**Greetings.** Thirty five years ago, we had a crazy idea that we could make a living growing oysters in Tomales Bay. We struggled a bit in those early years, had a lot of fun, and began to build an awesome brand. Back in those days, we had no long term plan, just the passion and desire to grow the best oysters and have fun doing it. Fast forward to the present. Planning is now a big part of what we do - planning our sustainable growth and a healthy, happy and prosperous future.

Investing in and building our Humboldt Bay facility was a big step towards securing our future. We once again produced enough seed to fill our needs in Tomales Bay as well as generate sales to other growers. Hatchery operations began, and we set our first larvae during the year. Hatchery operations will continue to show some significant costs as we are still in the R&D phase. The next steps will include building our broodstock program which should enable us to improve the genetics (and survivorship) of our oysters. We had hoped to have leases and permits secured to grow oysters out to market size, but the Harbor District's program has been seriously delayed. We are now pursuing other alternatives to securing a grow-out site in Humboldt Bay.

Site development planning for the Ranch continued throughout the year. We have met with the local planning group, Marin County, and Marin Agricultural Land Trust. We are in negotiations with MALT to have them purchase a conservation easement, and we want to ensure that we can develop the property to suit our needs.

The acquisition and re-opening of Tony's Seafood last year was an exciting and challenging project. We are now beginning construction on the new, improved version - with a planned re-opening in summer. Look for your invite to some pre-opening events!

When Tony's approached us early last year, we were already in lease negotiations on a space in Marin Country Mart (the old Larkspur Landing) in southern Marin County. We will be acquiring an 1800 sq. ft. space in the fall and plan on opening late 2018 or early 2019. While slow, incremental growth is our usual modus operandi, these two opportunities were too intriguing to pass up, so now we will be opening two restaurants within a year of each other. We will need to raise funds to complete the restaurant construction and will be presenting an investment opportunity to you, our shareholders, first.

We hope to see you all at the Annual Meeting and reception to follow on Monday, May 14th at the Ferry Building in San Francisco. We will be discussing financing/investing options for the Marin Country Mart restaurant. If you can't make it that day, please reach out to us or stop by. We love to hear your questions and to talk about what we're up to.

**ONWARD,**

*John Finger, Co-Founder and President*

*Terry Sawyer, Co-Founder and VP*



# Looking Ahead.

**TONY'S SEAFOOD.** Historic, iconic, community gathering place in Marshall. Celebrating 70 years of tradition with a grand re-opening Hog Island style. Fresh oysters and seafood, expanded menu, revitalized interior and sweeping views of Tomales Bay. Re-Opening summer 2018.

**LEALI RANCH (H2).** 250-acres adjacent to Hog Island Oyster Farm. Honoring neighbors and community by continuing a history of stewardship. Land and agricultural conservation in the Tomales Bay watershed. Bringing aquaculture and agriculture together. Increasing capacity for expanded aquaculture operations in Marshall and acreage for producing healthy, organic, vegetables and protein to serve in our Hog Island restaurants.

**HOG ISLAND HUMBOLDT HATCHERY & NURSERY.** Investing in our future. Oyster seed security for Hog Island and the shellfish industry. Brood stock research and development. Industry leadership. Meaningful job creation. Future farm site for market-sized oysters.

**MARIN COUNTRY MART.** Expansive 1,800 square foot building transformed into a bustling oyster bar and seafood market in the heart of Marin. Meeting of land and sea. Steps from San Francisco Bay with front facing windows overlooking Mt. Tamalpais. A stone's throw from SF-Larkspur Ferry landing. A Ferry ride to/from San Francisco. And Future Sonoma SMART Train depot.

**CULTIVATING THE BEST.** People, Planet, Profit. Guiding Principles, B Corp Certification, Benefit Corporation – growing an evergreen company with the best possible people on board. Leading our industry in science, academic and policy partnerships. Ensuring and advocating aquaculture as a healthy and beneficial food source for our world.

# CULTURE, VISION & VALUES

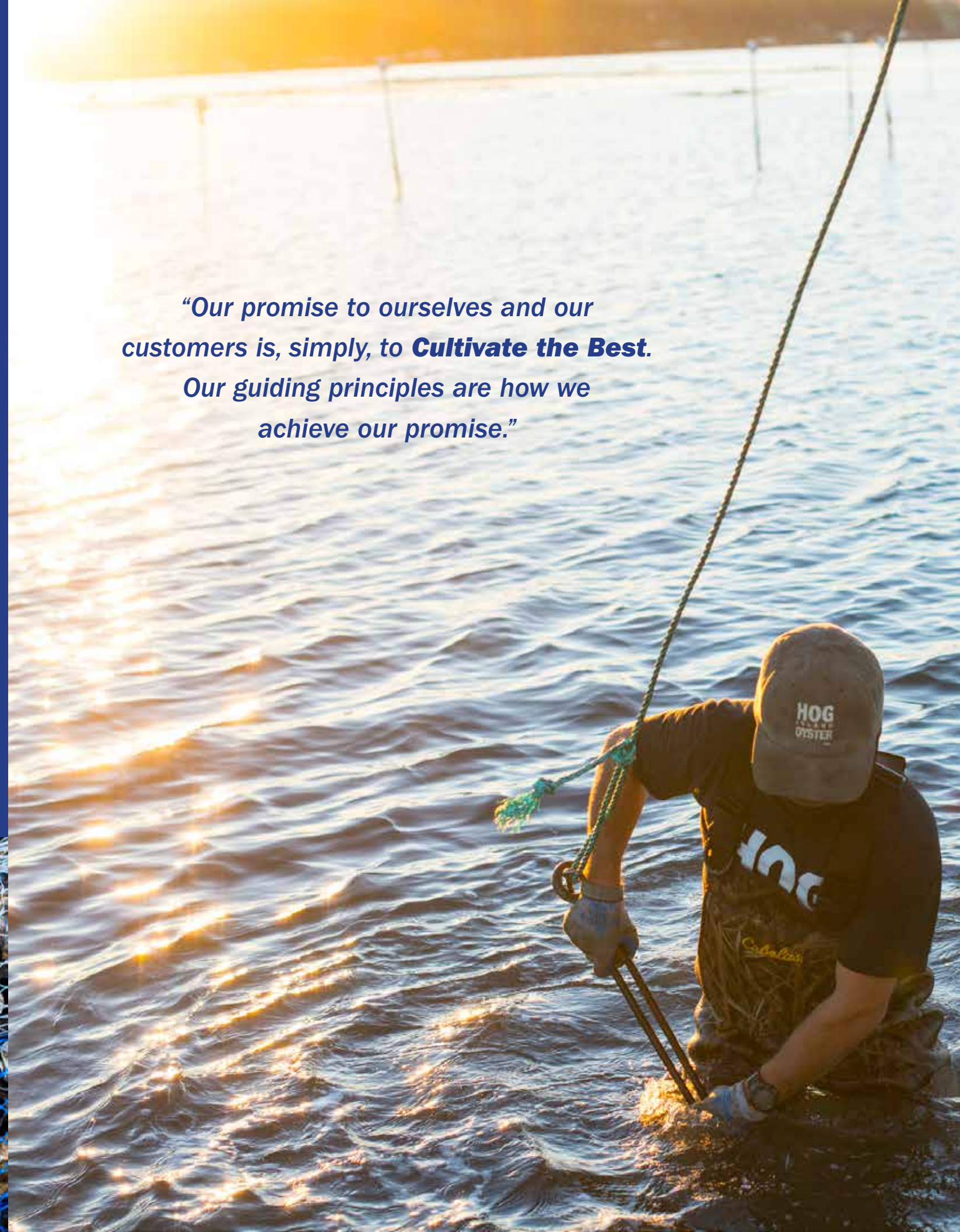
## *Cultivating The Best*

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 a great culture.

Then we started to grow more dramatically; starting with the opening of our SF oyster bar in 2003, followed by the opening of our Napa oyster bar in 2008. Since then, our growth has continued on a swift and positive upswing. Expansion of our retail and The Boat Oyster Bar operations in Marshall, Hog Island Shellfish Hatchery in Humboldt Bay, renovating and doubling our SF Oyster Bar in 2014, and most recently the acquisition of Tony’s Seafood on Tomales Bay and Leali Ranch in Marshall. With growth comes reflection. We realized that we need to work harder to make sure our culture and values are shared amongst our entire Hog Island family.

So our core management team rolled up our sleeves and set about establishing Hog Island Guiding Principles. These Guiding Principles define our core values and help guide the culture we have built, and continue to build at Hog Island.

The foundation behind 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, simply, to cultivate the best. Our guiding principles are how we achieve our promise.



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



# **HOG ISLAND OYSTER CO. 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.

# B - INSPIRING. B - THE CHANGE.

## *Becoming a B Corporation*

After firmly establishing our Guiding Principles, becoming a Certified B Corp. was a natural next step. B Corps are companies that have been certified to have met rigorous standards of social and environmental performance, accountability, and transparency. As part of our certification, we are reassessed every two years, which provides a metric for us to 'walk our talk' and continually review areas for improvement.

Becoming a Certified B Corporation has also introduced us to a community of like minded businesses. When we joined in 2015, there were 1,800 Certified B Corporations worldwide. Today there are more than 2,400. We are businesses from diverse industries, countries and cultures. We are companies who advocate, educate and inspire - each other and the world - to do better. And we proudly join this community of leaders - Patagonia, King Arthur Flour, Ben & Jerry Ice Cream, Alter Eco, Dr. Bronner's and New Belgium Brewing Co. - in working together toward a single unifying goal: **using business as a force for good.**

### **BENEFITS OF BECOMING A CERTIFIED B CORPORATION AND BENEFIT CORPORATION.**

**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 for the Long Term:** 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 for 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 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

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

Environmental Products & Services  
(e.g. Renewable energy, recycling)

Environmental Practices: Land, Office, Plant; Energy, Water, Materials; Emissions, Water, Waste; Suppliers & Transportation



## WORKERS

Compensation, Benefits & Training

Worker Ownership

Work Environment



## COMMUNITY

Community Practices: Suppliers & Distributors; Local; Diversity; Job Creation; Civic Engagement & Giving



## GOVERNANCE

Accountability

Transparency



## OVERALL



HOG ISLAND OYSTER CO.  
is a CERTIFIED B-CORP



People using Business  
As a force for good

**To highlight our performance, here are some of the improvements we have made since we initially certified as a B Corp in 2015.**

**2016-2017 Improvements:**

- Adopted a volunteering policy giving employees up to 24 hours per year of paid time off.
- Drafted a written policy giving preference to suppliers owned by women, people of color, or other underrepresented populations.
- Drafted a formal written supplier code of conduct that specifically holds suppliers accountable for social and environmental performance.
- Adopted a policy requiring inbound and outbound shipping to be transported via the lowest impact methods (e.g., avoiding air shipping where possible).
- Provide all employees with all financial information (except salary info) at least quarterly.
- Moved from offering 0-5 weeks to 6-11 weeks of paid primary caregiver leave.
- Established an internal B Corp Committee to help identify and strategize on areas where we can continue to improve our social, environmental and financial impacts according to B Corp certification.



# 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
- Rainwater harvesting system; low-flow faucets and toilets
- Active end-of-life shell reclamation program
- Inbound freight and shipping is transported via lowest impact methods



- Full insurance coverage for full-time employees, and part-time employees qualify for health care benefits at 20+ hours per week
- Employee retirement plan with socially responsible investing
- HSA for qualified medical expenses
- Domestic partner, civil union, and same-sex marriage spousal benefits
- Health and wellness activities during the workweek
- Behavioral health counseling services and Employee Assistance Programs

**WORKERS**



## COMMUNITY

- Screen suppliers for social and environmental impact
- Allow workers to select charities to receive company's donations
- Majority of ownership lives locally to the company
- Bank locally with New Resource Bank, a Certified B Corporation and member of the Global Alliance for Banking on Values





## GOVERNANCE

- 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 whistle-blowing policy provides legal protection to workers





## 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](https://bimpactassessment.net).

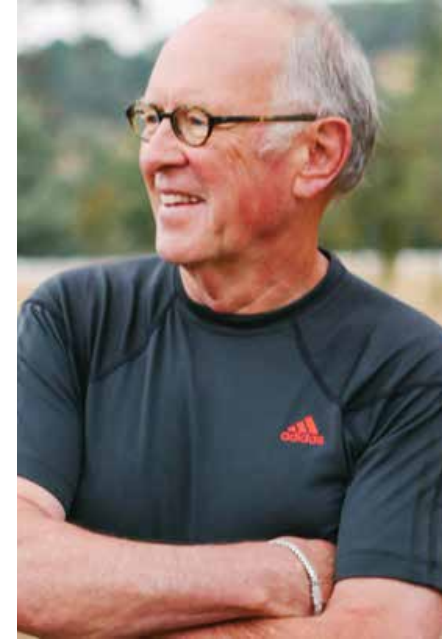
## STATEMENT FROM THE BOARD

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."

**HOG ISLAND OYSTER CO.**  
**is a CERTIFIED B-CORP**



**People using Business**  
**As a force for good**



**2017 BOARD MEMBERS**  
Committees

**Dale Bentson**  
*Chair, Executive, Audit*

**John Ash**  
*Strategic Plan, Compensation*

**Steven Birer**  
*Strategic Plan, Audit*

**Bruce Schroffel**  
*Compensation*

**Scott Woodward**  
*Strategic Plan, Compensation*

**Michael Meniktas**  
*Compensation*

**Anna Beuselinck**  
*Executive*

**John Finger**  
*Executive, Strategic Plan*

**Terry Sawyer**  
*At Large*

**Phil Woodward**  
*Chair Emeritus, Audit*





# HOG ISLAND OYSTER CO.

Certified **MARSHALL**  
**SAN FRANCISCO**  
**NAPA**  
**HUMBOLDT**

