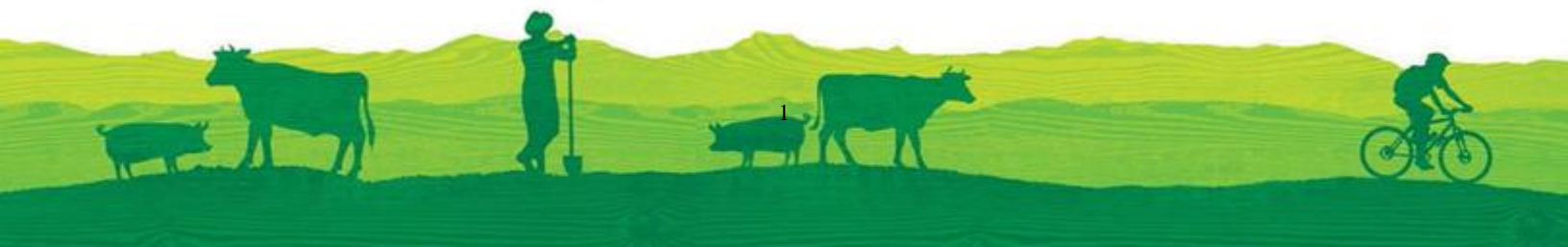
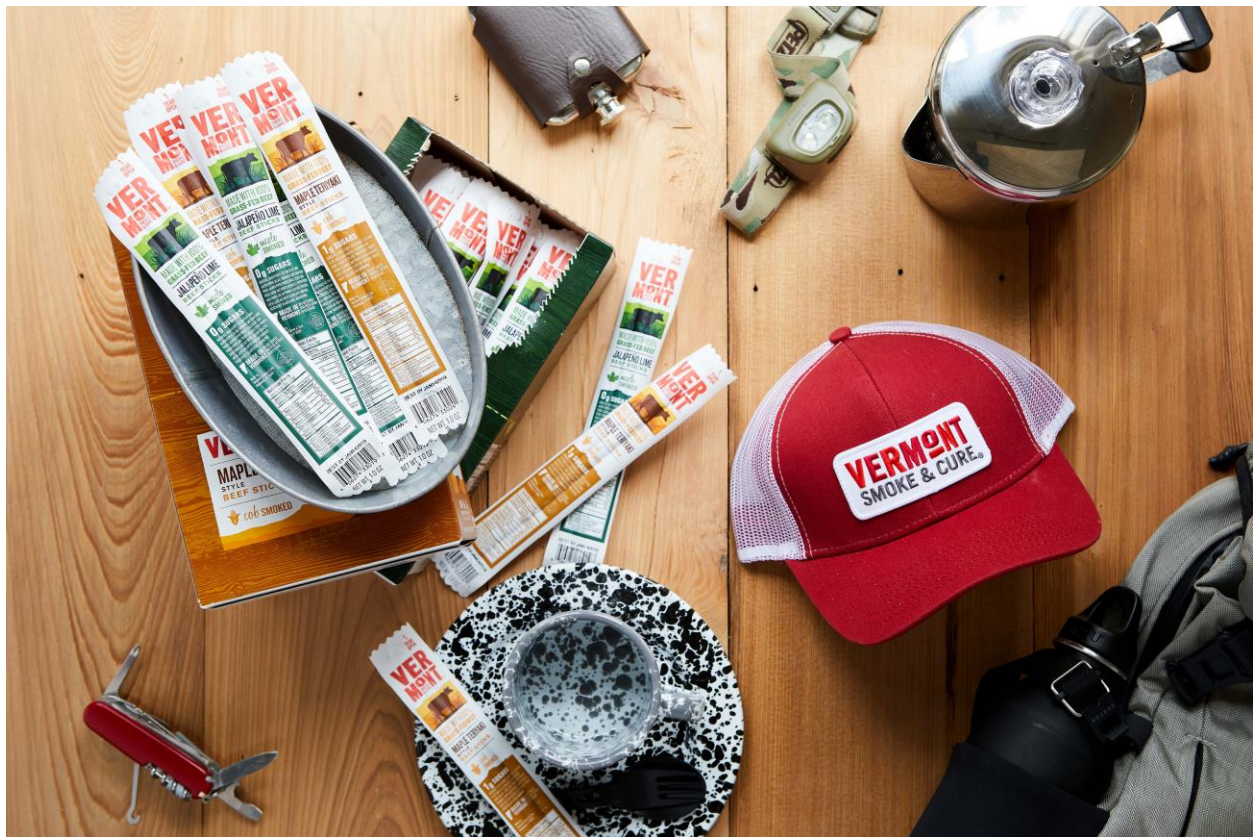


# VERMONT SMOKE & CURE™ Better Meat for All.™

## 2018 Annual Benefit Corporation Report





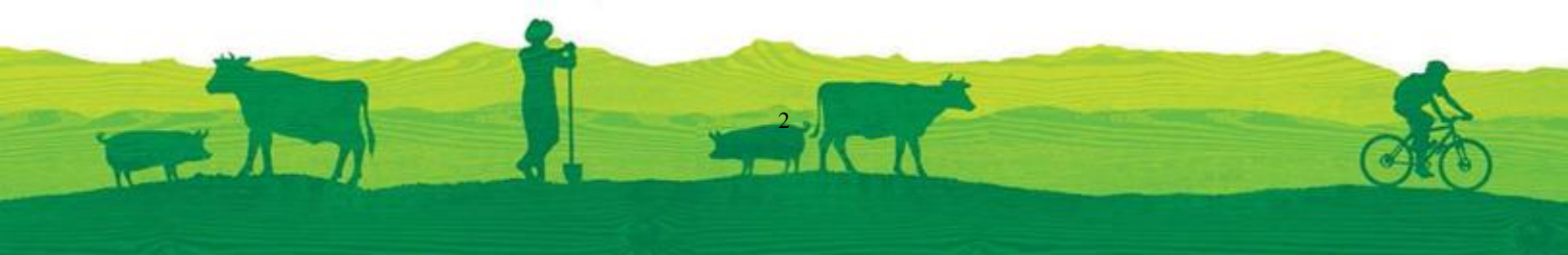
### **Leadership Statements**

“The team at Vermont Smoke & Cure continues to demonstrate our business’s ability to drive even higher standards of environmental responsibility, product quality, employee benefits and compensation and further our engagement within the Vermont community. The following report highlights our accomplishments in 2018 and reinforces our objectives to deliver continued success of our profitable, socially responsible business in 2019.”

**Chris Bailey, Founder & Chairman**

“As Benefit Director for Vermont Smoke & Cure, I believe that the company has acted in accordance with its benefit purpose and demonstrated the Benefit Corporation standards during Fiscal Year of 2018. I am pleased with the continued commitment and progress over prior years. We look forward to delivering additional improvements in 2019 and beyond.”

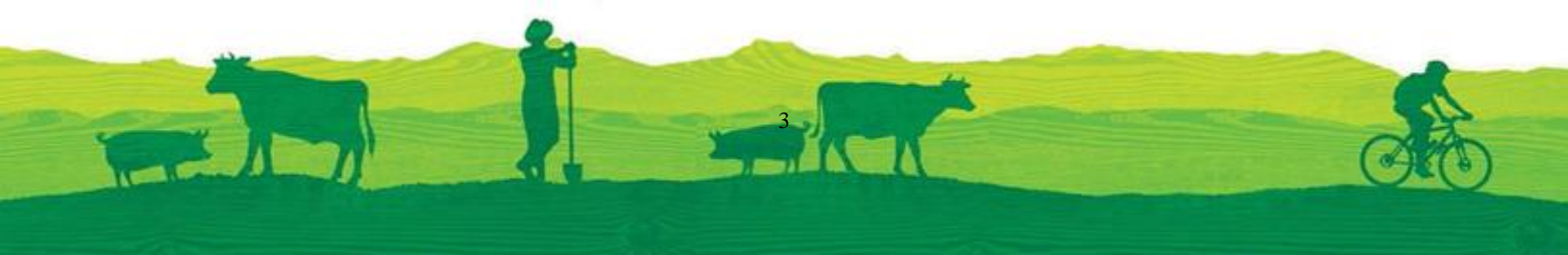
**Chuck Lacy, Benefit Director**





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## **2018: The Year in Review**

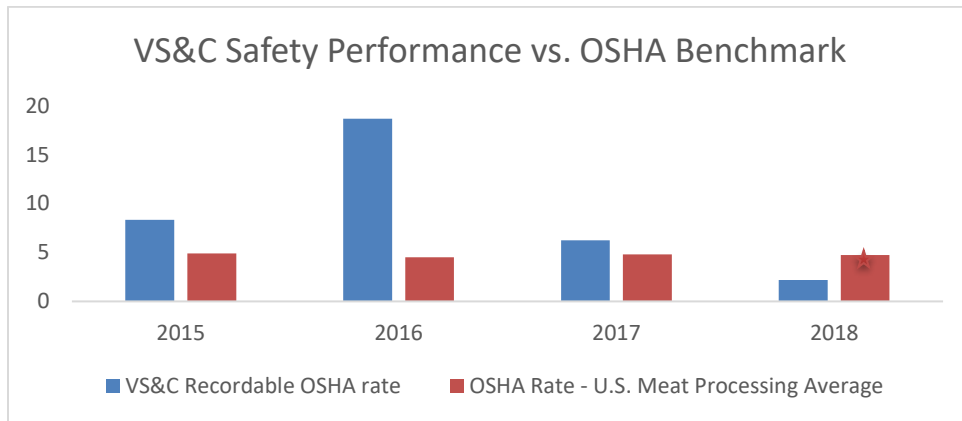
Throughout 2018, Vermont Smoke & Cure carried out annual plans to further execute our commitment to creating not only a successful, profitable business, but also meeting our own internal standards of sustainability, accountability and leadership. The Meat Snack category saw increased competition, with smaller brands acquired by larger industrial agribusiness and new entrants into the categories we helped create. In 2018, we focused 100% on optimizing and driving growth of our shelf-stable meat snack business, having exited our refrigerated meats business in 2017. This change proved successful in transforming our financials and creating a more secure future. We continued our commitment to a more responsible way of doing business as a competitive advantage and to fill the role of category leader concerning product quality, integrity and community accountability: to make the meat business better.

Vermont Smoke & Cure continued as a Vermont Benefit Corporation and partnered with other local organizations to enable Vermont to thrive. During a slow production time for Vermont Smoke & Cure in December, we actively sought out alternative employment opportunities for the team rather than cut hours or lay off employees in the short term. We were able to send staff to Vermont Teddy Bear during their peak holiday season, allowing our employees to maintain employment and Vermont Teddy Bear to fulfill their short-term employment needs. We also received a grant from the Vermont Training Program to grow our employees' skills & develop people. The program ensures we deliver top-notch job training, resulting in job proficiency and promotion eligibility. Being an employer that fosters personal development and career growth through a promote-from-within approach is a passion area for Vermont Smoke & Cure. We've seen operators promote successfully to leadership positions and take on responsibility for various functional areas including buying, quality, customer service and eCommerce.

The following report highlights the Company’s achievements in 2018 and further addresses the challenges ahead as we strive to reach ever-higher standards in each of our specifically defined benefit objectives.

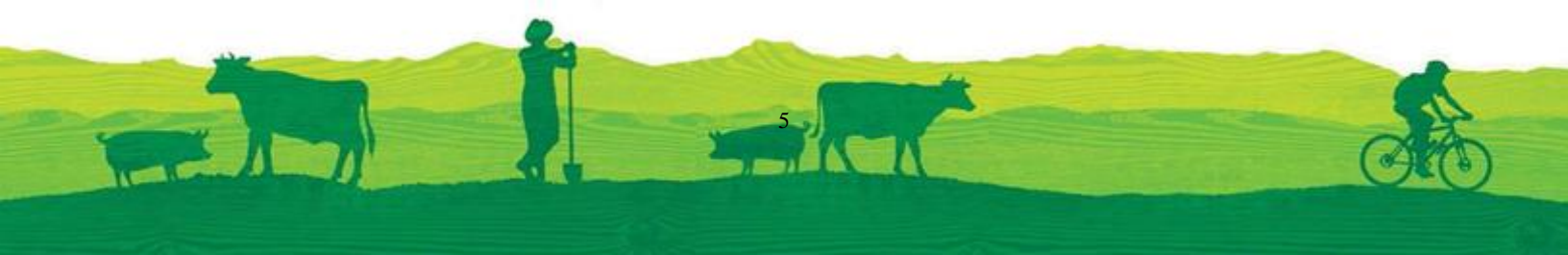
### Workplace Safety

*Although employee safety isn’t listed as a specific public benefit as part of our Vermont Benefit Corporation charter, it is a top priority in our operation.*



The star indicates that OSHA has not yet released the 2018 average rates, so 2018 represents the previous 3-year average.

As a result of the implementation of heightened safety programming and related training, Vermont Smoke & Cure safety performance beat the 3-year OSHA average, with a 65% improved OSHA recordable rate vs. 2017, an 88% improvement vs. 2016 and a 74% improvement vs. 2015. As of this publication, Vermont Smoke & Cure is now over fourteen months injury-free! We continue to develop and implement robust training programs and policies concerning worker conduct, equipment operation and environmental controls, and strive for continuous improvement in these areas. Programs that started during 2016 to increase awareness of safety and ergonomics, and further build a safety culture, continue to result in safety improvements.



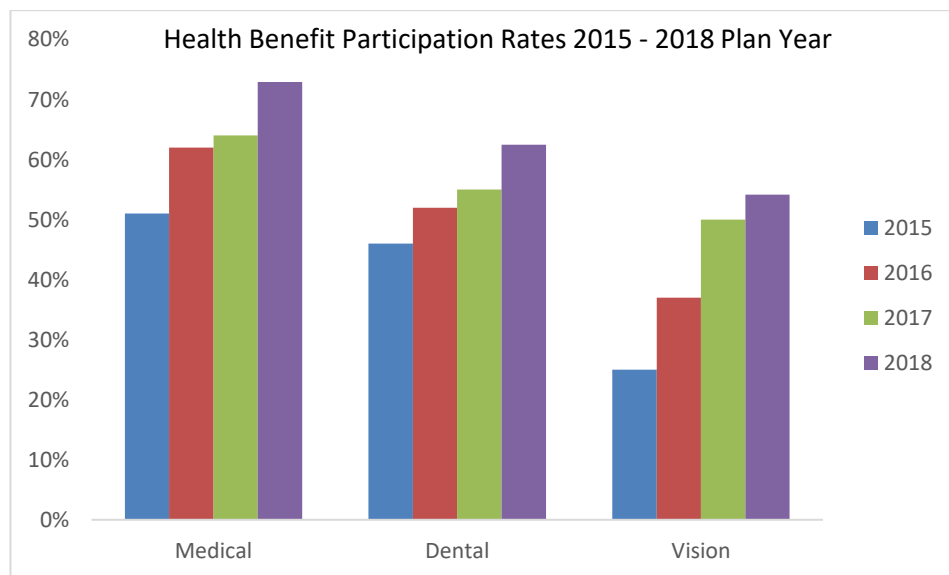
## Our Employee Owners

***Mission:*** Vermont Smoke & Cure strives to be a respected and desirable employer: creating an ownership culture in which all full-time employees receive and maintain a direct ownership interest in the business and participate in the creation of enterprise value through the Company's employee stock option plan.

During 2018, the Company continued to offer a full and comprehensive suite of employee benefits, which include medical, dental, vision and Employee Assistant Programs (EAP). We continued to also offer voluntary insurance programs, including Voluntary Life, Accident and Critical Illness. Each of these benefits and programs are offered in a professional manufacturing environment focused intensely on employee safety in which all functions of the business strive to meet the highest standards in workplace satisfaction and worker productivity.

### **Health Insurance**

Based upon employee eligibility (*i.e.*, “full time employees,” defined as 30 weekly hours or more), the Company's health and wellness program participation rates have grown each year since 2015 in all areas of coverage. Details are as follows:



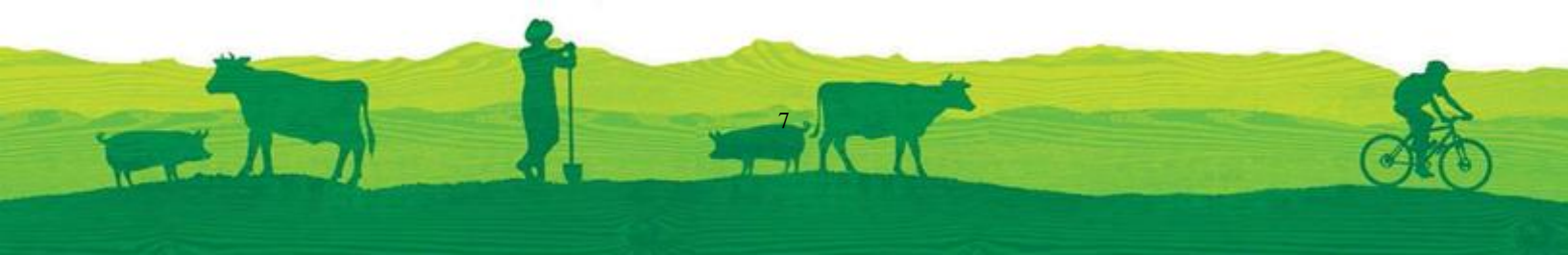
Vermont Smoke & Cure continued to offer an Open Access High Deductible Medical Plan with Health Reimbursement Arrangement (HRA) combination through Blue Cross Blue Shield of Vermont. This is a progressive cost sharing program whereby lower income participants have a lower monthly cost than higher income participants. We added a wellness program that Blue Cross Blue Shield reimburses employees who sign up for fitness programs.

The Company's Delta Dental Preferred Plan includes 100% Diagnostic/Preventive coverage with no deductible or waiting period. Basic, Major and Orthodontics are also covered with varying deductibles, co-pay % and waiting periods. VSP Vision Care provides low out-of-pocket costs, high quality vision care options, choice of providers and discount eyewear benefits.

### **Company Ownership**

The Company continues to issue stock option awards to each of its full-time employees under the terms of its Employee Stock Option Plan (the "Plan"). Under the Plan, we expect that all our full-time employees will become holders of stock options within 6 months after the completion of a defined probationary period. Our culture of ownership and accountability incentivizes our team of employee-owners to understand and appreciate the high degree of importance and value ascribed to every function of our business operations. Our production line workers, officer personnel, marketing, sales, finance and operations teams, together with our executive leadership group, all have been granted the opportunity to own a direct interest in our enterprise through options issued under the Plan, uniting and aligning our entire team in such a way as to drive the business forward under a common purpose for the benefit of all members.

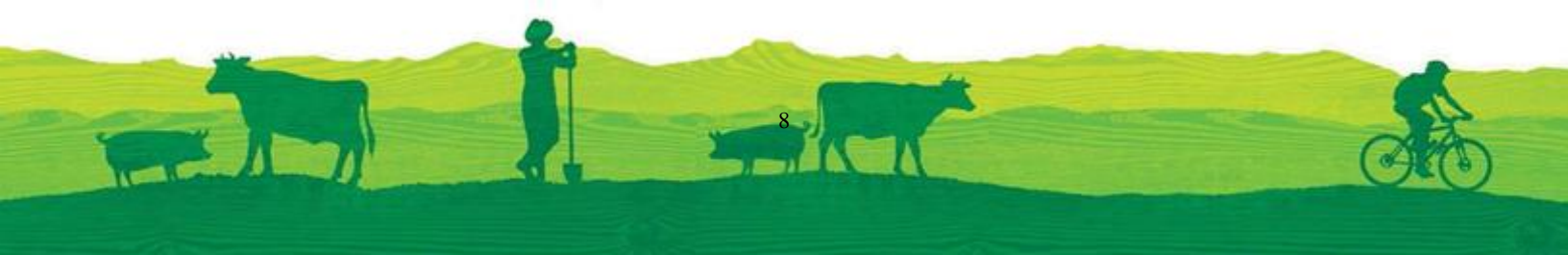
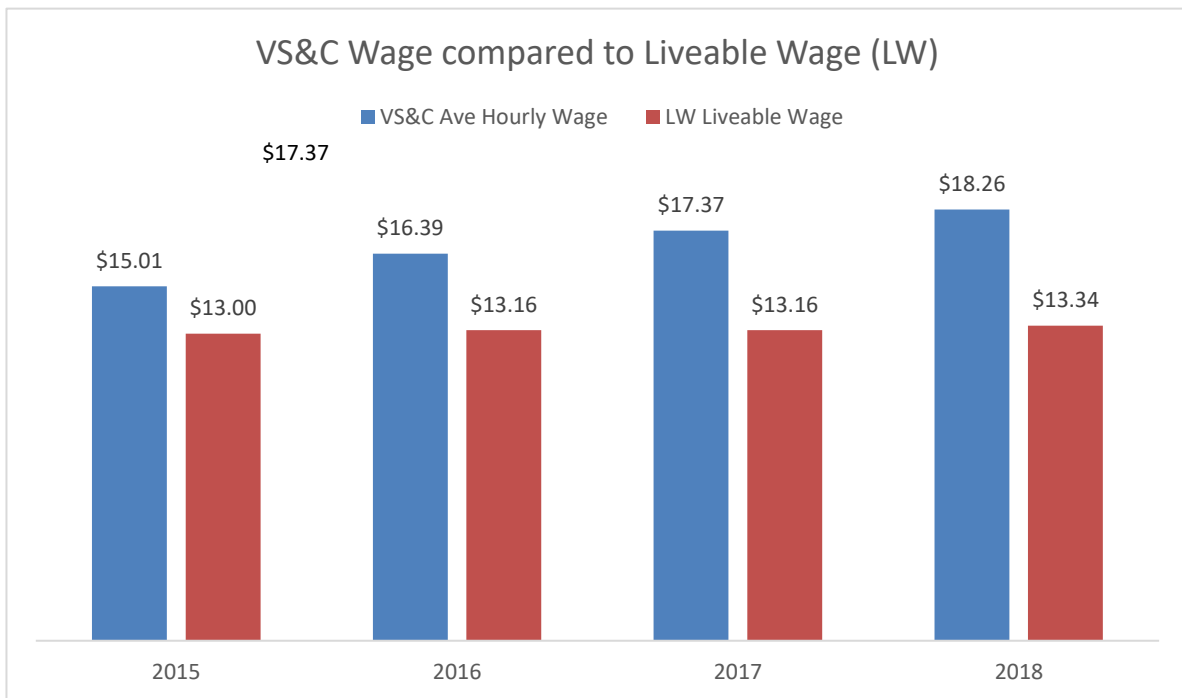
Currently, 100% of our employees have been granted options and have a direct stake in the enterprise value of the business.



## Livable Wage

During 2018, Vermont Smoke & Cure continued to pay wages above the Vermont living wage (determined most recently in 2017 by the Vermont Legislative Joint Fiscal Office) of \$13.34 per hour for all employees post initial training period. Production employees can take up to 6 months to reach the “trained operator” base rate of \$14.00/hr. The average rate of pay for production employees in 2018 was \$18.26 per hour, an increase of \$0.89 from 2017. This increase was required to attract and retain employees in the face of such low unemployment in the state.

### Production Employees Average Wage Comparison to Livable Wage Standard

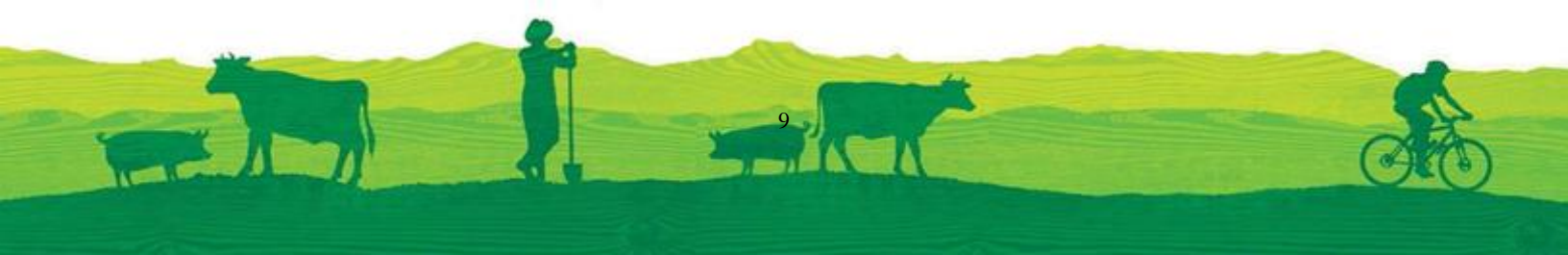
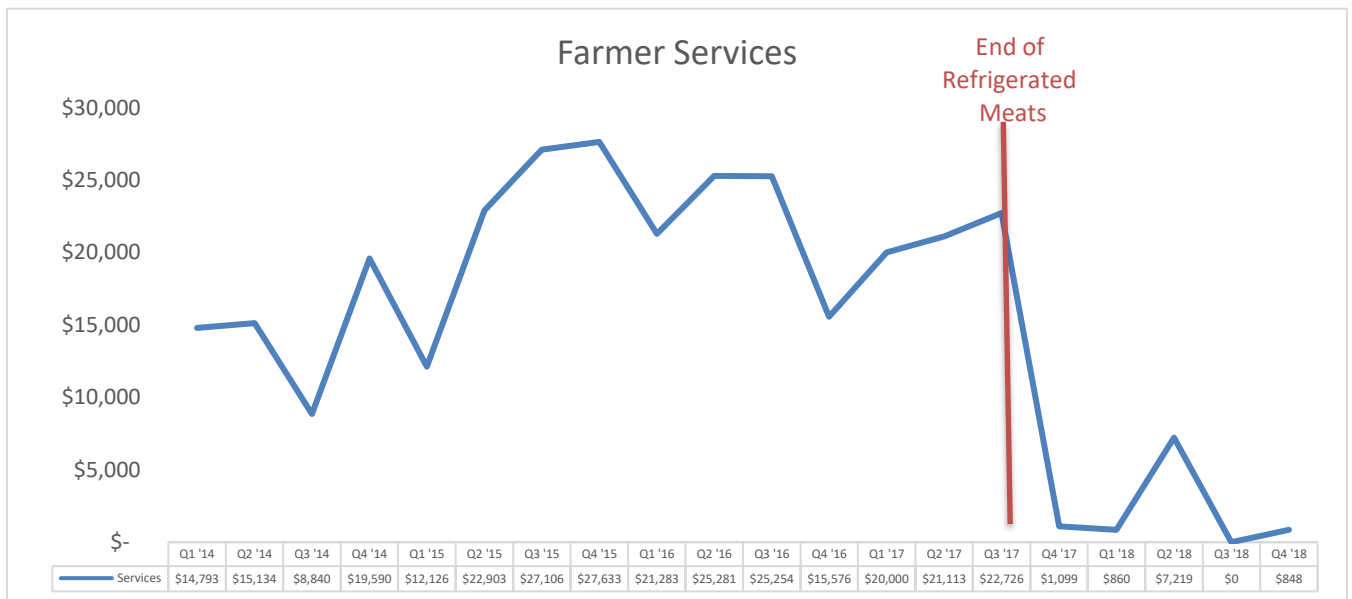




## Our Community Connection

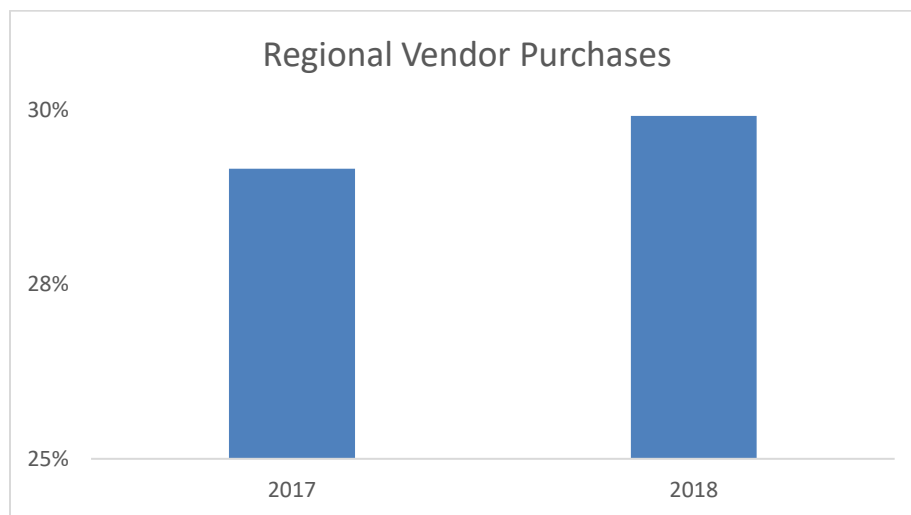
***Mission:*** Vermont Smoke & Cure is committed to creating economic opportunities and promoting family-scale farms in Vermont and its surrounding region by offering commercial meat processing services to farmers at competitive prices.

Vermont Smoke & Cure provides state-of-the-art processing services to small and family-scale farms in Vermont and nearby states, enabling them to participate and compete in local and regional markets with their products. Because the availability of these types of processing services is limited for these producers (especially for capital-intensive items such as individually packaged smoked meat snack sticks), our meat processing services permit these small-scale farms to develop, market and sell top-quality products manufactured to the highest standards, and individually branded and packaged to be competitive in broader markets and retail locations. With the exit of our refrigerated meats business (bacon, ham, sausages), we now offer services on meat sticks and summer sausages only.



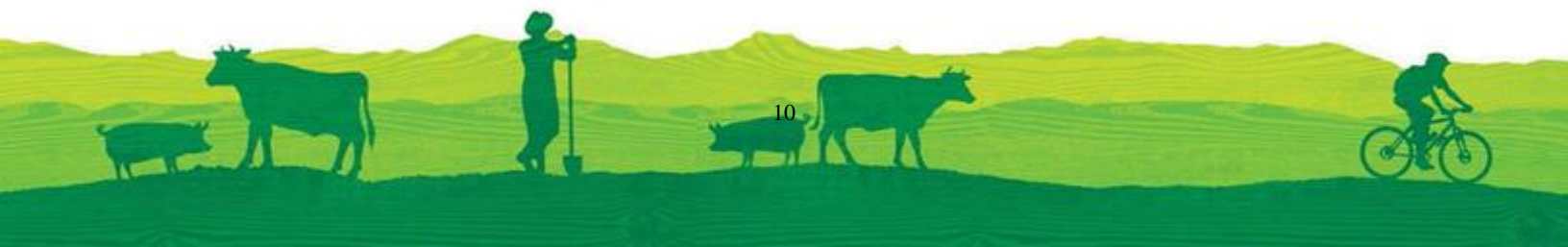
***Mission: Vermont Smoke & Cure actively promotes businesses and family-scale farms based in Vermont and its surrounding region (New York - New England - Quebec) by continuously seeking to increase the Company's sourcing of local ingredients and materials from regional vendors.***

Vermont Smoke & Cure works to proactively source high-quality ingredients grown and processed locally and regionally and continues to increase the scope of regionally and locally sourced ingredients for its products. During 2018, the Company purchased six individual ingredients for its product portfolio (*i.e.*, beef, pork, turkey, maple syrup, maple sugar and spices) from eight different regional and local farms or aggregators, including Pineland Farms, Sweet Retreat, Butternut Mountain Farm and Carando. In addition, four regional vendors provide non-ingredient production materials or services. Throughout 2018, 30% of our raw materials came from local and regional partners, slightly up from 2017.



***Mission: Vermont Smoke & Cure is committed to maintaining a primary and permanent office and manufacturing presence in the State of Vermont.***

Vermont Smoke & Cure continues to maintain its home office and all manufacturing in its Hinesburg, VT facility. The Company continued the popular, condensed manufacturing work schedule of 4 days per week and 10 hours per day to build the shift structure for its production

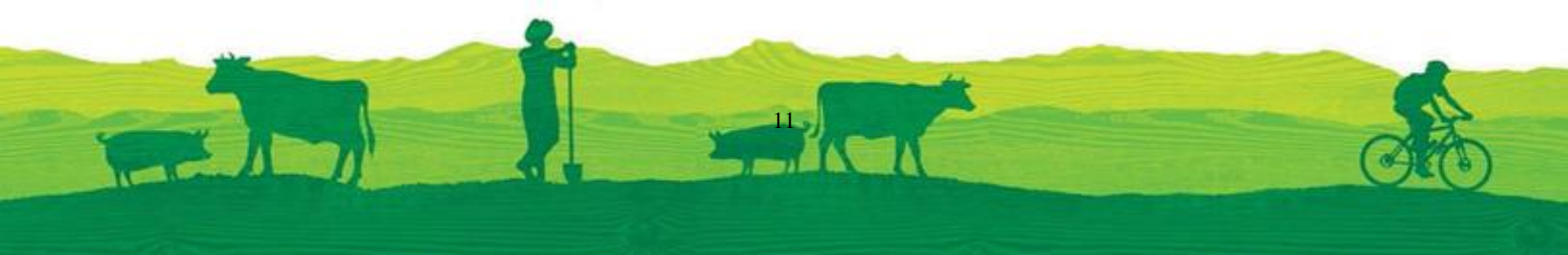


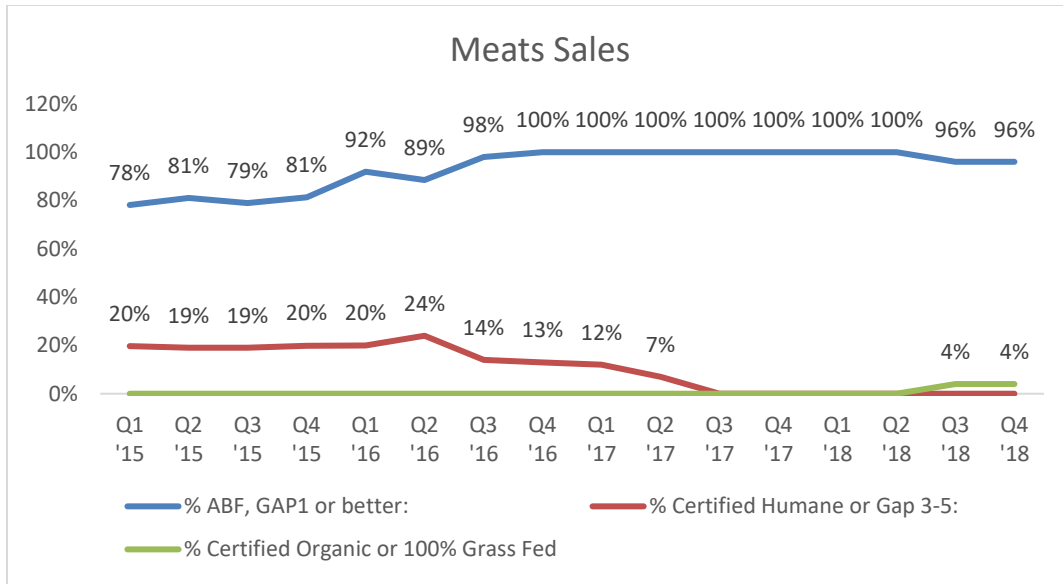
lines to support a future 24 hour/7-day schedule. This schedule benefits employees by providing better work/life balance. This initiative also reduces commuting needs and commitments by 20% across our manufacturing workforce, which has a favorable impact on carbon emissions.

### **Our Product Standards**

***Mission: Vermont Smoke & Cure strives to promote consumer awareness concerning the importance and advantages of buying meats (a) that are healthier for human consumption, (b) produced using humane practices, (c) that support and are financially viable for local and regional family-scale farmers and (d) that have a lower environmental impact.***

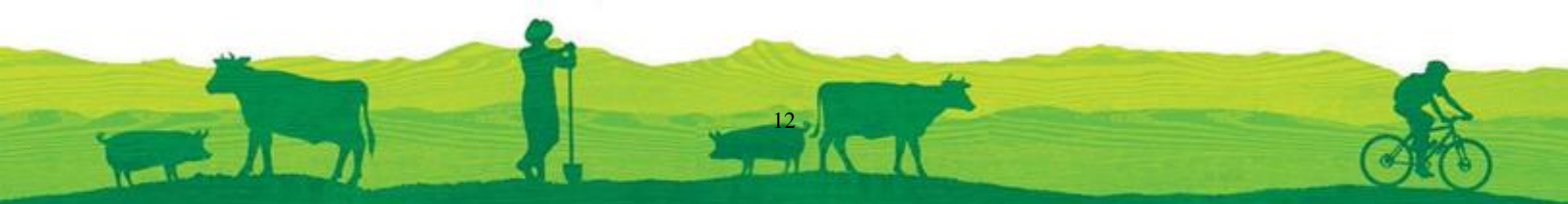
Vermont Smoke & Cure continues to implement this fundamental product philosophy through a commitment to sourcing meats raised without antibiotics or added hormones, and containing other high quality, natural ingredients so that we can offer consumers healthier and better alternatives to leading competitive products in our categories, many of which use artificial preservatives, fillers and other questionable ingredients. Vermont Smoke & Cure actively seeks to purchase meats raised and certified by either the Global Animal Partnership® or the Humane Farm Animal Care® (“HFAC”) certification programs; each an independent, third-party organization that performs on-site audits on farms, slaughter facilities and further processing plants. The Company continues to seek opportunities to increase the purchase of meats procured for its products rated under the Global Animal Protocol (“GAP”) as GAP1 or higher. In 2018, the Company continued to purchase all the meat for our products raised without antibiotics, vegetarian-fed and raised without added hormones. Vermont Smoke & Cure launched two 100% grass-fed beef stick items in mid-2018, rated GAP Level 4. As sales continue to increase for this product, we expect an increase in grass-fed beef purchases in 2019.





Our commitment to better-for-the-customer products is also reflected in our recipes and product attributes. For example, our meat sticks deliver 40% less sodium and 45% less fat than other leading snack sticks.

<i>Per 1 oz serving</i>	Original Beef & Pork Stick	Original Snack Stick	Original Beef Stick	Original Smokehouse Beef & Pork Stick	More Than Just Original Beef Stick	Classic Beef Stick	Sesame Garlic Beef Stick	Original Beef Stick
MEATS RAISED WITHOUT ANTIBIOTICS	✓	X	X	X	✓	✓	X	✓
MEATS VEGETARIAN FED	✓	X	X	X	✓	✓	X	✓
NO NITRITES OR NITRATES ADDED	✓	X	X	✓	✓	✓	✓	✓
NO PRESERVATIVES OR ALLERGENS	✓	Soy, Wheat	Wheat	Soy	Soy	✓	Soy	✓
# of Ingredients	11	19	15	10	12	11	14	12
Calories	80	140	109	100	90	90	100	90
Sugar	0g	0g	1g	1g	2g	1g	2g	2g
Carbs	1g	4g	4g	2g	3g	2g	4g	3g
Fat	6g	11g	9g	7g	5g	6g	6g	6g
Sodium	350mg	480mg	471mg	370mg	300mg	200mg	260mg	220mg



## Our Environmental Commitment

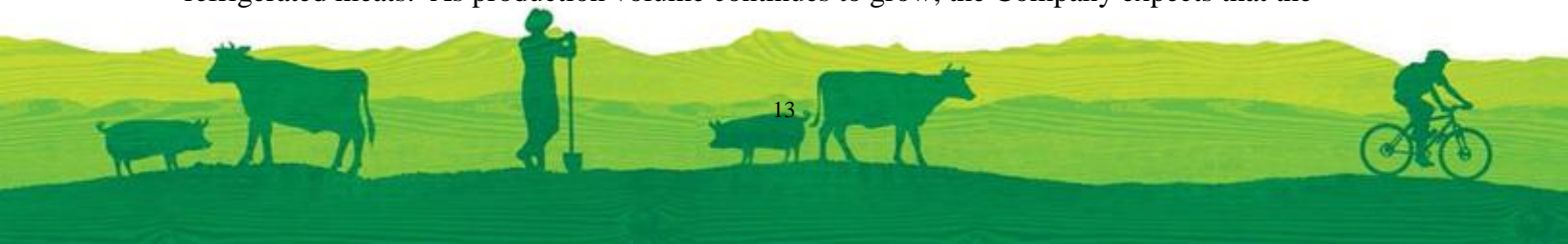
***Mission:*** *Vermont Smoke & Cure continuously explores and implements commercially reasonable methods and solutions to minimize its consumption of natural resources and the overall environmental impact of the Company's processing and business operations.*

Vermont Smoke & Cure tracks and records information regarding the acquisition, utilization and efficiency rates concerning its use of natural resources and raw materials. It is actively engaged in an ongoing and broad-based program of continuous improvement in energy efficiency and reduction and provides training and encouragement to its entire workforce regarding conserving energy, solid waste reduction and recycling. Vermont Smoke & Cure partners with suppliers of sustainable energy technologies, services and products, and is committed to operating a successful manufacturing business that minimizes its impact on the surrounding natural environment.

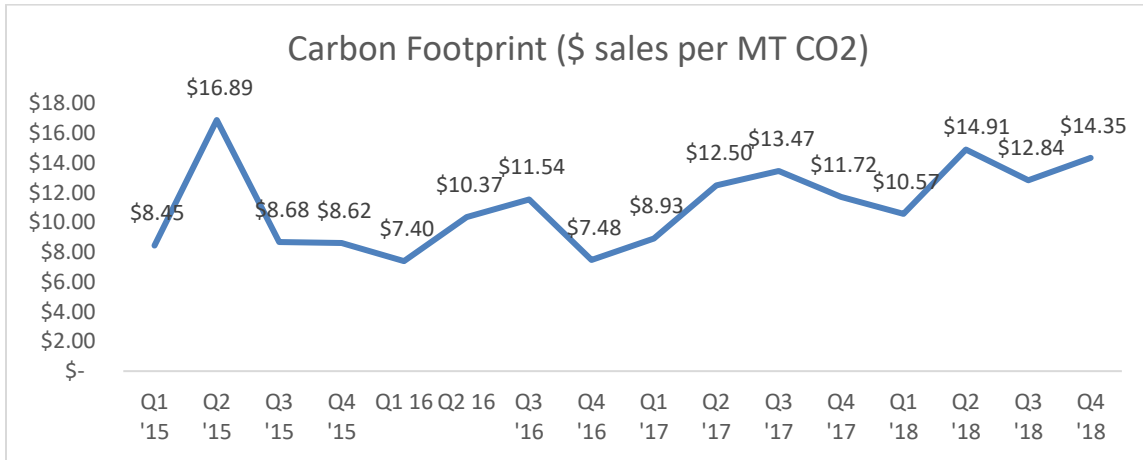
### **Energy**

More than 60% of electric power used by the Company during 2018 came from solar power generated in Vermont, all within sixty miles of our facility. All renewable energy credits (REC's) are retired with the Company's purchase of this solar power. The Company uses high-efficiency smokers that further reduce our energy requirements by more than 10% compared to conventional equipment. With the end of processing refrigerated meats, the Company was able to turn off a refrigerated finished goods cooler and focus cleaning operations on two lines daily as opposed to three or four before the change, saving significant amounts of hot water.

During 2018, the dollars sold vs. metric ton of CO<sub>2</sub> reached saw a 13% improvement vs. 2017. This improvement came from actions such as reducing the flow of hot water cleaning hoses, changing automatic light settings, and no longer utilizing finished product coolers for refrigerated meats. As production volume continues to grow, the Company expects that the

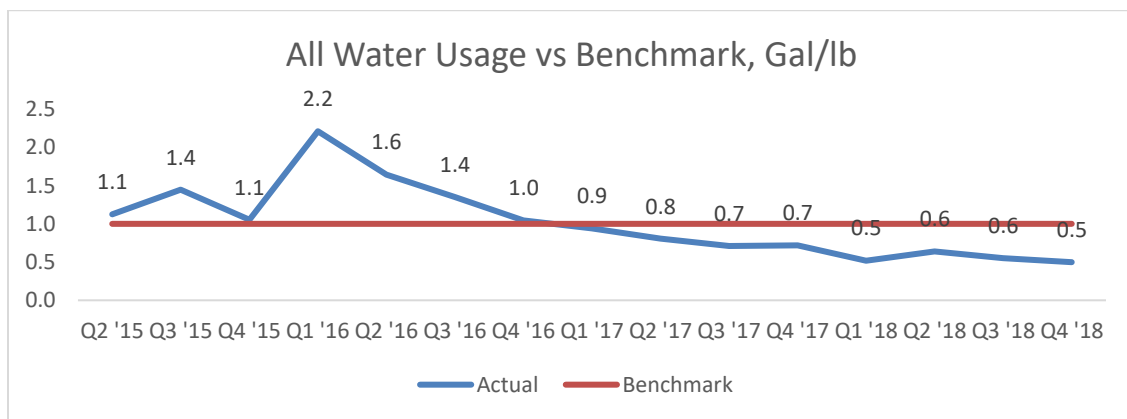


dollar sales per metric ton (MT) CO2 ratio will continue to improve.



### Water

Vermont Smoke & Cure continues to improve in its water efficiency, and in 2018 reached the best rates seen yet. The move away from making refrigerated meats resulted in reduced need for cleaning operations and water-intensive equipment usage. The team continues to evaluate opportunities to increase water use efficiency.



### Packaging, Recyclable Materials and Solid Waste

Vermont Smoke & Cure continues to improve in our solid waste production efficiency, creating less with each dollar sold, and using increasing amounts of packaging that is recycled or recyclable. We continue to search for opportunities to increase our revenue per pound of waste



and leverage packaging with recycled content.

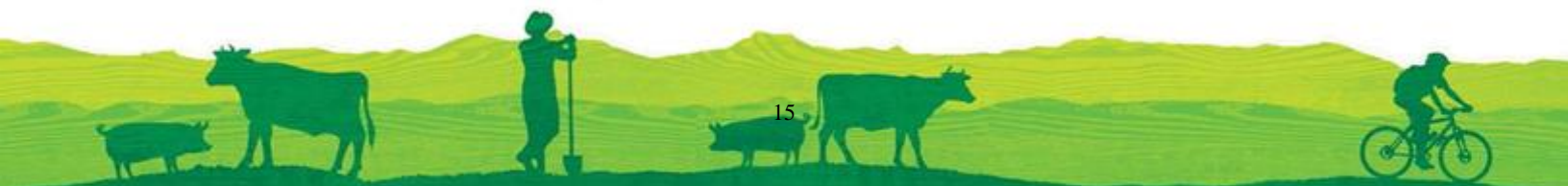
<b>Solid Waste Progress</b>	<b>2017</b>	<b>2018</b>	<b>Improvement</b>
Revenue \$ per lb. of solid waste	\$ 160.91	\$ 171.25	6%
Packaging mass pounds per \$ revenue	0.089	0.071	-21%
% of packaging mass that is >30% recycled content	82%	82%	1%
% of packaging mass that is recyclable	82%	82%	1%

### 2019 Goals

Vermont Smoke & Cure takes pride in its accomplishments toward creating demonstrable benefits for our community, employees and environment. Our leadership team, board of directors and team of employee-owners have embraced the idea that Vermont Smoke & Cure will continue to commit its efforts to ensuring that it not only creates value for shareholders, but also leaves a positive impact upon the commercial landscape in which it competes and the society in which it operates. Guided by these principles, Vermont Smoke & Cure works to achieve the following goals in 2019 and beyond:

- Continue to ensure 100% employee ownership in the business.
- Continue to ensure 100% of employees are at or above a living wage.
- Continue to provide and expand our offerings with regards to a comprehensive benefits program for all employees including Medical, Dental and Vision.
- Continue to process meats as a service for local and regional farmers for meat sticks and summer sausages.
- Continue to explore and expand our procurement of ingredients from regional and local suppliers where feasible.
- Drive awareness and sales of our new grass-fed beef sticks.
- Continue to understand, analyze and improve the Company's energy and water usage and implement comprehensive programs to drive reduction and efficiencies.

We look forward to reporting our progress in a year.



# VERMONT

SMOKE  
& CURE™

**Better Meat for All.™**

## Company Contact Information

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