

FreeCap's Criminal Justice Scorecard

Investment criteria to
end mass incarceration.

2021



Invest in Freedom

www.freecapfinancial.com

FreeCap Financial is an ESG data provider that empowers people to invest in alignment with their values. Our vision is a world where people can invest in companies that support equity.

Our first ESG dataset focuses on criminal justice issues. We rate companies' impact on mass incarceration and license this information to asset managers and institutional investors, making it easy for investors to invest in companies with strong ethical business practices and invest in freedom.

"Research is formalized curiosity.
It is poking and prying with a purpose."

-Zora Neale Hurston

table of contents

Introduction.....	7
A Letter from Our CEO.....	8
Introduction to Mass Incarceration.....	11
The Case for Fair Chance Hiring.....	12
The Prison Industrial Complex	13
Metrics.....	14
Key Findings.....	16
Top 10 Companies	17
Top Fair Chance Hiring Companies	18
Top Prison Risk Mitigation Companies	20
Notable Trends	22
Industry Specific Trends.....	24
Communications	25
Consumer Discretionary	26
Consumer Staples.....	29
Energy.....	32
Financial Services.....	33
Healthcare.....	36
Industrials.....	37
Information Technology.....	39
Materials, Real Estate, and Utilities.....	41
Methodology.....	42
Scoring and Weighting	44
Scorecard	45
Bibliography.....	46
Disclaimers.....	49
Acknowledgments.....	51

introduction

a letter from our CEO

After George Floyd's murder in 2020, companies across the United States pledged to donate billions of dollars towards racial justice and publicly committed to changing their hiring methods.

One year later, we've seen who has honored those commitments and who has forgotten them. A year on from the collective cry for change that erupted in 2020, racial justice continues to require our effort and investment. As investors, we all have a critical role to play in ensuring companies meet these commitments.

One of the most significant racial injustices of our time is mass incarceration. Too often, investors overlook corporations' impact on this crisis. This is a mistake. If anything, the past year has shown that poor management of Diversity, Equity, and Inclusion (DEI) risks, both in companies' supply chains and through their hiring practices, can negatively impact business.

FreeCap Financial is excited to broaden the ESG community's lens into racial justice investing to include criminal justice. When we started our research in 2019, we were on a mission to better understand how companies impact currently and formerly incarcerated people.



We are happy to discover a handful of companies leading by giving people with a criminal record a fair chance at employment.

Yet, there were many others whose policies inadvertently discriminated against this group. There were also a surprising number of companies beyond private prisons that continue to profit from incarceration. The prison industrial complex — a network of institutions, systems, and structures that benefit from and encourage incarceration as a solution to many issues — is a driving force behind mass incarceration. Some companies, even those in the S&P 100, are complacent contributors to that system.

With FreeCap's first set of corporate ratings presented in this report, we have identified ten key leadership indicators investors can use to assess companies' impact on incarceration. Half of these metrics will help investors manage prison-risk exposure, while the other half evaluate the quality of companies' fair chance hiring practices. The combined score for these metrics gives investors an overall picture of a company's criminal justice footprint. Our research to date covers over 100 of the largest publicly traded companies in the United States.

For the investment community, this report will make it easier to:

- Better manage Environmental, Social, and Governance (ESG) risk in their portfolios. With an improved lens into social issues that have a significant impact on society in the United States.
- Negatively screen out companies who have low prison-risk mitigation scores.
- Positively screen for companies who are leaders in fair chance hiring.
- Better engage in shareholder activism related to criminal justice

For consumers and justice-involved individuals (meaning people who are formerly or presently incarcerated) this report will make it easier to:

- Direct consumer dollars to companies that support fair chance hiring.
- Determine which companies in the S&P 100 will give justice-involved individuals a fair chance at employment.

At FreeCap, we are on a mission to make it easier to invest in your values. We believe that directly impacted people understand the best ways to invest in a world that supports them and are committed to building data aligned with that mission. Thank you for joining us on this journey.

In solidarity,



Tanay Tatum-Edwards
Founder & CEO
FreeCap Financial



introduction to mass incarceration

Mass incarceration in the United States harms both individuals and communities, with particularly destructive effects on communities of color, often without advancing public safety goals. With almost 2.2 million people in prison, and 10.6 million jail admissions per year, the U.S. has the highest incarceration rate in the world. **Black Americans make up 40 percent of the incarcerated population despite representing only 13 percent of US residents.** Each year, the more than 600,000 individuals released from state and federal prisons face extensive, long-term collateral consequences.

These collateral consequences act as significant barriers to their rehabilitation: a criminal record keeps many people from obtaining employment and accessing housing, higher education, loans, and credit even when they have turned their lives around, are qualified, and are unlikely to reoffend.

40% of incarcerated people are Black Americans



Americans have had an immediate family member in jail

While the problem of mass incarceration is fundamentally rooted in public policy, there is a network of thousands of companies that are involved in, and profit from, the U.S. prison and detention system – what criminal justice experts call the "prison industrial complex." This network encompasses a wide range of sectors and actors, from companies operating private prisons, to companies supplying products or services to prisons, to others that may not even realize that prison labor is part of their supply chains.

At the same time, many companies without any direct links to the prison industrial complex can also impact mass incarceration through their interactions with justice-involved individuals as potential employees, customers, and suppliers.

the case for fair chance hiring

Justice-involved individuals face significant hurdles to finding employment. Employment is considered the most critical influence on decreasing recidivism among justice-involved individuals, yet they often face structural barriers to securing a job. One of the most acute of these is employer reluctance to hire applicants with a criminal record due to legal and social stigma. When companies implement initiatives designed to advance diversity and inclusion in their workforce, chronically underemployed (and discriminated against) workers are better able to access good jobs with decent wages and benefits.

Recent research shows that hiring justice-involved individuals can benefit employers and the public. A study based on 1.3 million United States military enlistees revealed that those with criminal records were promoted more quickly and to higher ranks than other enlistees and had the same attrition rates due to poor performance as their peers without records. Another study of job performance among call center employees found that individuals with criminal records had longer tenure and were less likely to quit than those without records. Finally, a longitudinal study from Johns Hopkins Hospital similarly found that employees with criminal records exhibited a lower turnover rate than those with no records. In addition to having a moral obligation to rectify the harms of mass incarceration, it is in companies' best interest to actively hire workers who are formerly incarcerated.



the prison industrial complex

A small proportion of people incarcerated in state, federal, and private prisons in the United States work in prison industry programs that produce goods and services for external sale and consumption.

While such employment has the potential to provide incarcerated people with the income and skills that could improve their job prospects post-incarceration, many prison work programs exploit incarcerated workers by offering little to no pay and poor working conditions. According to a report published by North Star Asset Management, aside from people in the Prison Industry Enhancement Certification Program (PIECP), which mandates payment of the minimum wage, prison workers typically earn \$0.02 to \$2.00 per hour. In addition to being paid very little, incarcerated

workers keep only a small portion of their wages: usually 20% is sent to their prison commissary account, and occasionally, 20% is placed in a long-term savings account. The remainder frequently goes to the prison system to be used for room and board, victim restitution, and legally obligated financial support for an individual's family.

Additionally, thousands of companies supply products and services to federal, state, and private prisons and jails across the U.S. Several of these companies exploit monopoly contracts and the "captive market" of incarcerated individuals by compromising on product quality and safety and charging excessive prices. These vending relationships fuel the prison industrial complex. Investors should be concerned about the reputational risks involvement in this industry poses to companies.



fair chance hiring metrics

metric	definition	measurement
fair chance recruitment policy	Commitment to actively recruiting and hiring formerly incarcerated workers.	The company has a written policy to actively recruit formerly incarcerated workers, a training program, or a public commitment that ensures opportunities for formerly incarcerated workers.
diverse representation policy	Commitment to ensuring active hiring of people from diverse backgrounds.	The company has a written diverse representation recruitment policy and provides detailed diversity disclosures (i.e., across workforce divisions and racial demographics).
fair chance hiring best practices	Systems and policies to ensure non-discrimination against formerly incarcerated workers during hiring.	The company limits background checks to after a conditional offer of employment is extended and has made a public commitment to Fair Chance Hiring.
job flexibility	Systems and policies to ensure flexible employment opportunities.	The company offers part-time, flex-time schedules, and telecommuting options.
competitive benefits	Measures competitiveness of benefit packages for non-salaried workers.	The company offers competitive benefits for all workers, including part-time and non-salaried.

prison risk mitigation metrics

metric

definition

measurement

supplier code of conduct policy for prison labor

Commitment to limiting prison labor in the supply chain.

The company's Supplier Code of Conduct policy explicitly prohibits prison labor.

risk management for prison labor in supply chain

Commitment to assessing risk and addressing the use of prison labor in the supply chain.

The company specifically identifies prison labor in its public risk assessment.

third-party verification

Undertaken third-party audit to identify prison labor in supply chain.

The company publicly reports percentage of sourced products that undergoes third-party verification.

vending relationships with prisons

A broad assessment of the company's exposure to the prison industrial complex.

The company does not hold vending contracts with prisons.

corporate social responsibility programs and donations

Corporate social responsibility targeted to current and formerly incarcerated communities.

The company engages in social corporate responsibility work, has advocated for policy changes, or has donated to a nonprofit related to mass incarceration.

key findings



FreeCap's Top Scoring Companies

We are excited to share our 2020 list of leaders!

The companies that top our rankings have all shown a commitment to reducing discrimination against workers with criminal records while also minimizing their involvement in the prison industrial complex.

Figure 1: Overall Highest Scoring Companies

Name	Sector	Ticker	Total Score
Starbucks Corp.	Consumer Discretionary	SBUX	99
Facebook Inc.	Communications	FB	94
Apple Inc.	Information Technology	AAPL	92
Target Corp.	Consumer Discretionary	TGT	89
Mastercard Inc.	Information Technology	MA	88
AT&T Inc.	Communications	T	87
Cisco Systems	Information Technology	CSCO	87
PepsiCo Inc.	Consumer Staples	PEP	83
Procter & Gamble Co	Consumer Staples	PG	82
J.P. Morgan Chase & Co	Financial Services	JPM	78

Companies with the best "criminal justice" footprint.

Top Fair Chance Hiring Companies

This leadership group consists of companies that had the most substantial fair chance hiring policies in practice.

Less than a third of the companies in FreeCap's dataset have made a public commitment to fair chance hiring for justice-involved individuals.

Even fewer have active programs in place to recruit formerly incarcerated workers. The leaders in this group have not only adopted best practices for fair chance hiring, but many of them also have policies in place to recruit a diverse workforce, including justice-involved individuals.

Figure 2: Top Fair Chance Hiring Companies

Name	Sector	Ticker	Fair Chance Score
Apple Inc.	Information Technology	AAPL	50
J.P. Morgan Chase & Co	Financial Services	JPM	50
Microsoft Corp.	Information Technology	MSFT	50
Accenture	Information Technology	ACN	50
Starbucks Corp.	Consumer Discretionary	SBUX	49
AT&T Inc.	Communications	T	49
Cisco Inc.	Information Technology	CSCO	49
Facebook Inc.	Communications	FB	48
Mastercard Inc.	Information Technology	MA	48
PepsiCo Inc.	Consumer Staples	PEP	48
Target Corp.	Consumer Discretionary	TGT	47

Highest scoring companies on FreeCap's Fair Chance Hiring Indicator

fair chance hiring leadership spotlight:

J.P. Morgan Chase

J.P. Morgan Chase is the only financial services company to top our list.

Their leadership in fair chance hiring is notable given the industry has historically excluded formerly incarcerated workers at a rate higher than their peers.

The company has adopted internal policies to create a non-discriminatory workplace for justice-involved individuals. In 2018, J.P. Morgan Chase banned the box, delaying inquiries into an applicant's involvement with the criminal legal system until later in the hiring process. This policy broadened its hiring pool and created identifiable change: 2,100, or 10%, of 2020 hires had a criminal record.

In addition to reducing discrimination in its hiring practices, J.P. Morgan Chase's Policy Center actively helps formerly incarcerated individuals find jobs.

The initiative supports the federal Supervision to Aid Reentry (STAR) Program and plans to invest more than \$7 million in job training programs for people returning home from prison.

J.P. Morgan Chase also continues to support federal and state efforts to only allow criminal background checks after a conditional offer of employment, creating a more inclusive application process.

This strategy is successful, in part, because it has the support of the company's most senior leadership. Chairman and CEO, Jamie Dimon, has said that "giving more people a second chance allows businesses to step-up and do their part to reduce recidivism, hire talented workers, and strengthen the economy."

Top Prison Risk Mitigation Companies

This leadership group consists of companies that had the most robust prison-risk management policies and practices.

They have strict policies against prison and forced labor in their supply chains, have implemented procedures to monitor compliance with those policies, and have limited vending relationships with prison operators.

Notably, less than half of the companies we rated explicitly ban prison labor in

their supplier code of conduct policies, and only 24 percent of companies in FreeCap's dataset publicly disclose their third-party verification process for managing these risks.

Most companies are focused on meeting minimum international compliance standards. But, since prison labor in the United States is still legal under the 13th amendment, most companies have not chosen to explicitly purge prison labor from their supply chains.

Figure 3: Top Prison Risk Mitigation Companies

Name	Sector	Ticker	Prison Risk Mitigation Score
Starbucks Corp.	Consumer Discretionary	SBUX	50
International Business Machines	Information Technology	IBM	47
eBay Inc.	Consumer Discretionary	EBAY	47
Facebook Inc.	Communications	FB	46
NVIDIA Corp.	Information Technology	NVDA	46
Procter & Gamble	Consumer Staples	PG	46
McDonald's Corp.	Consumer Discretionary	MCD	46
Intel Corp.	Information Technology	INTC	43
Amgen Inc.	Health Care	AMGN	43
Comcast Corp.	Communications	CMCS	43
Walt Disney Company	Communications	DIS	43
T-Mobile US	Communications	TMUS	43
AbbVie Inc.	Health Care	ABBV	43

Highest scoring companies on FreeCap's Prison Risk Mitigation Indicator

prison risk mitigation leadership spotlight:

Starbucks

Fortunately, there is evidence suggesting that consumer backlash for involvement in the prison industrial complex can motivate companies to change their behavior. Many companies that used prison labor in their supply chain have since implemented policies to reduce that exposure.

For example, the highest-rated company in this category, Starbucks, was previously noted for having prison labor in its supply chain in the early 2000s.

In response, Starbucks amended its Supplier Code of Conduct and developed internal risk assessments to explicitly screen for prison labor. Even though Starbucks has occasionally been mentioned in news articles as recently as 2020 for having prison labor in its supply chain, that information is outdated, enabling the company to make the following statement:

"Starbucks has had relationships, in the past, with suppliers that used inmate labor.

However, at this time, none of the suppliers we contract with engage in the practice and our Supplier Social Responsibility Standards have been in place since 2006."

Starbucks' acknowledgment of, and responsiveness to, past abuses enabled it to develop a set of best-in-class policies and approaches, thus giving it a nearly perfect score in all of our supply chain metrics.

notable trends

fair chance hiring

FreeCap's Fair Chance Hiring metric rates companies' systems and policies based on their discrimination against formerly incarcerated workers during hiring. Notably, industries significantly differ in the hiring of previously incarcerated people. **Companies with high consumer visibility, such as Information Technology and Communication industries, have better hiring practices.**

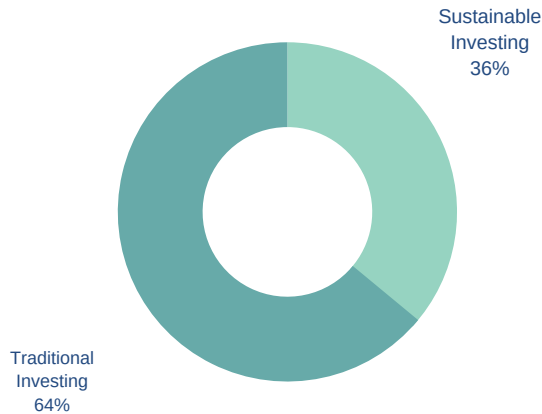
These companies not only have inclusive policies in place but also provide above average disclosures of diversity statistics. Companies in the Utility and Energy industries tend to lag in this area. Not only do consumers have less visibility to these industries they are also historically legacy industries that have deep rooted cultures that are slow to adopt change and are less likely to respond to CSR requests from investors.

corporate social responsibility

FreeCap's Corporate Social Responsibility (CSR) metric measures companies' external efforts to support justice-involved individuals. Although criminal justice is not a CSR priority for most companies, many companies donated to racial justice organizations that have a component of their program geared towards criminal justice. **Sixty percent of the 105 companies we rated had a CSR initiative geared towards criminal justice reform in this way.**

Of that group, 62 percent donated to the same three non-governmental organizations (NGOs)—the Equal Justice Initiative (EJI), the National Association for the Advancement of Colored People (NAACP), and the National Urban League (NUL). These NGOs do socially impactful work, but the clustering of donations to a handful of reputable organizations shows the high concentration of CSR donations in this area.

Figure 4: Professional Managed Assets Globally



Source: Global Sustainable Investment Alliance (2021)

"But this growth in CSR and ESG initiatives generally excludes criminal justice..."

investing in racial justice

Although criminal justice reform efforts occasionally show up in CSR donations, the dearth of initiatives to alleviate mass incarceration as part of core business operations is concerning when contrasted with the significant increase in ESG investing and CSR reporting over the last ten years.

According to the Global Sustainable Investment Alliance, from 2018 to 2020, **the sustainable investing market grew by 15 percent and now comprises \$35 trillion in assets globally**, representing 36 percent of all professionally managed assets globally. According to the Governance and Accountability Institute, CSR reporting also increased: 86 percent of S&P 500 Index Companies published sustainability or CSR reports in 2018, while only 20 percent published in 2011.

But this growth in CSR and ESG initiatives generally **excludes criminal justice**, even though the US has the highest incarceration rate in the world, impacting millions of Americans and their families. This poses a problem: **if companies fail to address criminal justice as a social issue, it cannot be alleviated.**

industry insights

communications

With a total of nine companies, and an average score of 68.5 out of 100, Communications is the second highest-scoring industry. The industry scored well in fair chance hiring, averaging 31.0 out of 50, thanks to a few standout companies such as AT&T and Facebook.

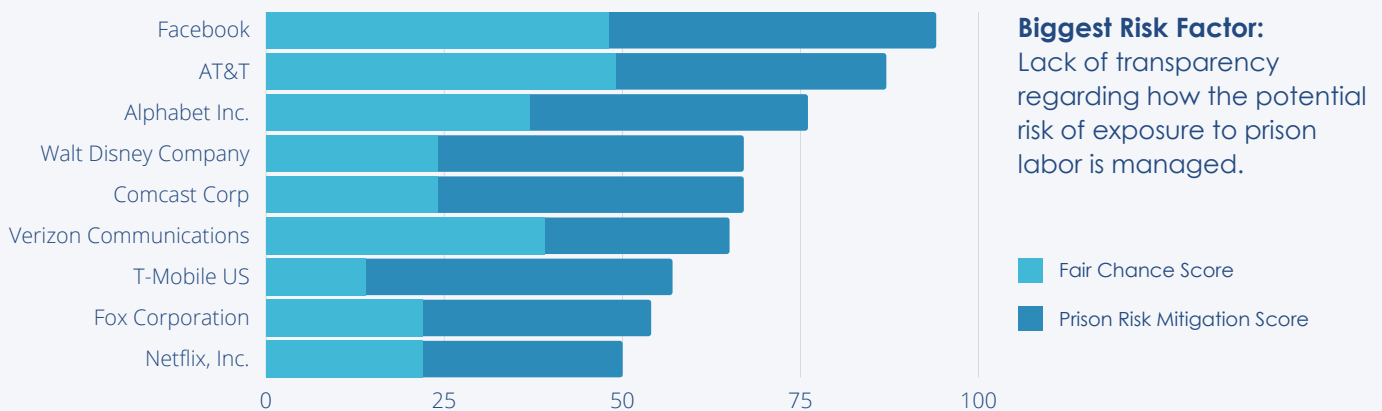
The Communications industry averaged 37.6 out of 50 in prison-risk mitigation, slightly above average.

Verizon and Netflix scored noticeably lower on this indicator than their peers.

Although we did not find evidence of prison labor in either company's supply chain, both lacked transparent policies and procedures to manage this risk.

Additionally, Verizon has a history of extensive vending relationships with the Florida Department of Corrections, and thus, is a contributor to the prison industrial complex.

FIGURE 5: COMMUNICATIONS INDUSTRY RATINGS



Biggest Risk Factor:

Lack of transparency regarding how the potential risk of exposure to prison labor is managed.

■ Fair Chance Score
■ Prison Risk Mitigation Score

consumer discretionary

With 11 companies in the Consumer Discretionary industry, these companies scored an average of 67.0 out of 100, making this the third highest-scoring industry in our dataset.

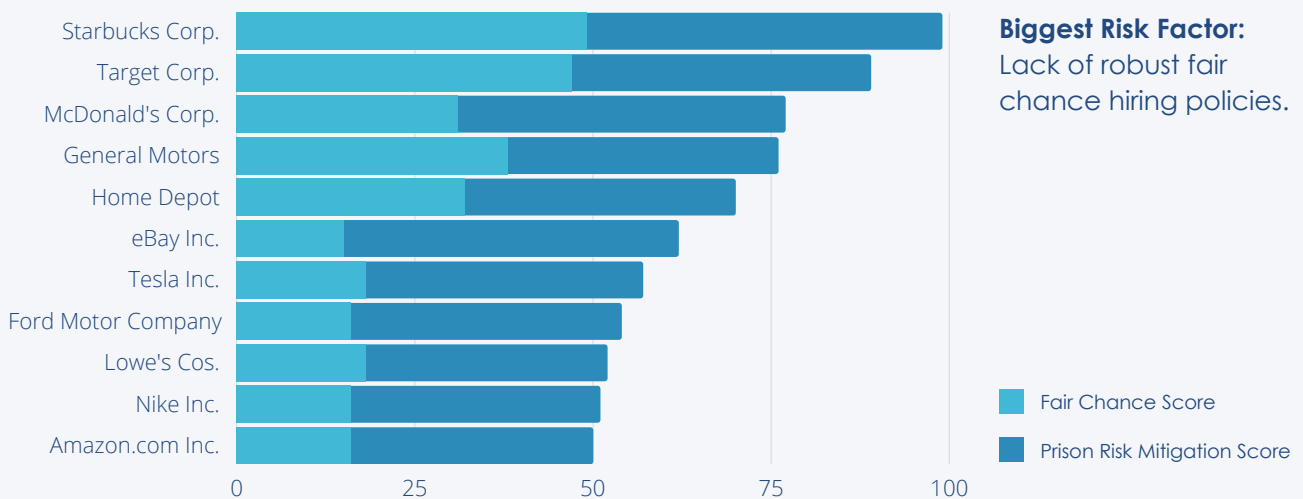
Among all the companies in our dataset, **Starbucks stands out as the clear leader, scoring full points in most metrics.** In particular, Starbucks is best in class with regards to fair chance hiring: **it limits background checks to after a conditional offer of employment is extended and has made a public commitment to Fair Chance Hiring.**

The Consumer Discretionary industry has an average fair chance hiring

score of 26.9 out of 50. That average, however, masks the fact that the companies in this industry cluster at the high and low ends of our fair chance hiring metrics. Consumer Discretionary includes both Starbucks (49)—a leader in Fair Chance Hiring—and Ebay (15)—a company that has made no commitments to banning the box in their application process.

Given the scale and complexity of supply chains in this industry, we expected these companies to potentially be vulnerable to prison labor and other exploitative labor practice risk. However, we found that most companies are aware of this risk and managed it appropriately.

FIGURE 6: CONSUMER DISCRETIONARY INDUSTRY RATINGS



This industry performed relatively well on our prison-risk mitigation indicator, with an average score of **40.1 out of 50—the highest amongst all industries**. Nike is the only company in this sector flagged for possible exposure to prison labor in light of 2020 allegations that a shoe factory in Qingdao, China had prison-like conditions.

Consumer Discretionary companies also scored very highly in our **third-party verification metric because of transparent practices they have employed to monitor for forced and prison labor**, and in our corporate social responsibility metric because of **initiatives that directly target currently and formerly incarcerated people**. On the other hand, Amazon is deeply involved in the prison-industrial complex through its vending relationships with the Department of Homeland Security.



Controversy Spotlight:

Amazon



Amazon provides data and information systems for Immigration Detention and is a member of the Integrated Justice Information Systems (IJIS) Institute, which promotes information technology to “promote public safety.”

Amazon Web Services, a subsidiary of Amazon, specifically states that it provides technology, data storage, analytics, and more to law enforcement, corrections, and courts.

Through third-party providers, such as Booz Allen Hamilton and Palantir, the company works for the U.S. Immigration and Customs Enforcement (ICE) and is the most used cloud platform for the Department of Homeland Security (DHS).

According to Investigate, since 2020, the DHS’s primary biometrics database,

which can store and match the biometric information of hundreds of millions of immigrants, is currently hosted on Amazon Web Services.

ICE’s Investigative Case Management system, which stores immigrants’ information from multiple sources, is also hosted on Amazon Web Services. In 2018, Amazon Web Services discussed selling facial recognition software called Rekognition to ICE. Rekognition is currently being used by some local law enforcement across the country. **The company has faced backlash for its sales of Rekognition, but, it is still pursuing a 5-year, \$100 million contract with ICE systems.** Additionally, another Amazon subsidiary, Ring, markets its technology surveillance products for police use.

consumer staples

There are 10 Consumer Staples companies, with an average score of 59.8 out of 100, slightly above the mean for all industries.

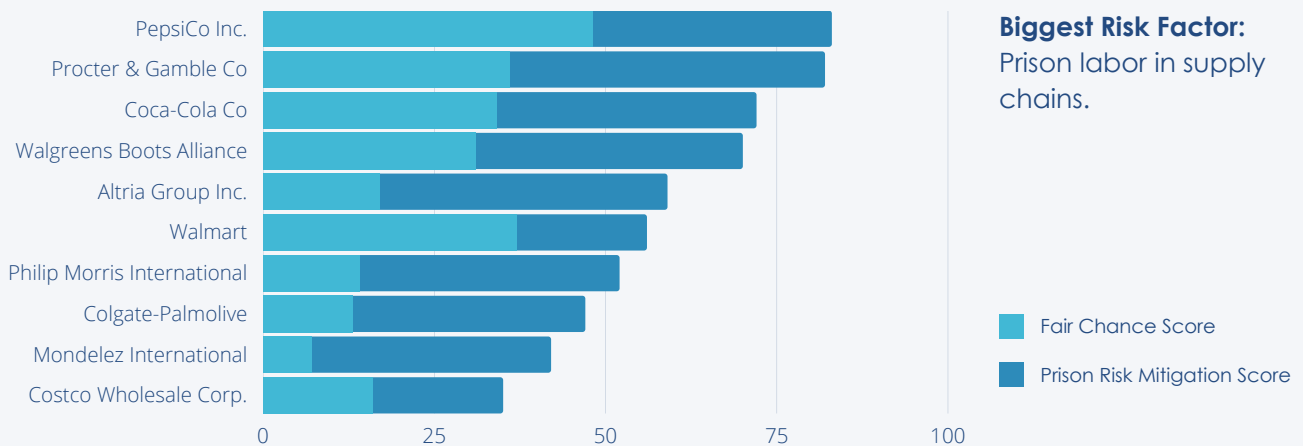
With an average score of 25.3 out of 50, this industry was slightly above average for fair chance hiring metrics.

PepsiCo scored eighth among companies as a whole and ranks very highly in fair chance hiring efforts. The company has transparent and extensive

diversity disclosures, offers a unique Flextime policy, and has policies to ensure non-discrimination against formerly incarcerated workers.

PepsiCo, Procter & Gamble, Walgreens Boots Alliance and Walmart are all members of the Second Chance Business Coalition – a coalition of large private-sector firms who are committed to expanding employment opportunities for people with criminal records.

FIGURE 7: CONSUMER STAPLES INDUSTRY RATINGS



Although this industry scored slightly above average on prison-risk mitigation relative to other industries, with an average score of 34.5 out of 50, its biggest risk is prison labor.

Both Walmart and Costco have a history of prison labor in their supply chains. Walgreens Boots Alliance, on the other hand, stands out thanks to its transparency and prison labor monitoring.

The company has a zero-tolerance policy for suppliers that use corporal punishment and conducts ethical compliance assessments. WBA is aware of the risk that prison labor poses and has implemented measures to mitigate this risk.



Controversy Spotlight: Costco & Walmart



Costco Wholesale Corporation has been accused of using prison labor in its supply chain since the 1990s.

Aware of this risk, in 2017, Costco began surveying its suppliers on their use of prison labor and became the first U.S. corporation to publicly report it. In 2019 it reported that nine of its agricultural suppliers used prison labor in the US.

Additionally, Costco has been accused of using Chinese prison labor: in 2019, a supplier using the forced labor of ethnic minorities made baby pajamas for Costco. Although the public was made aware of the supplier's practices in 2018, Costco decided to continue its business relationship with the firm. Since then, the company has promised to increase wages at one of its facilities and even enacted a Global Policy, which set policies to regulate prison labor use. However, ensuring that

all these standards are met has proven difficult. As a result, in 2020, Costco announced it will end its use of prison labor.

Walmart was also cited by Investigate for using prison labor in its supply chain and has been accused of doing so since the 1990s.

Walmart was also accused of using Chinese prison labor in March 2017. After investigating the issue, the company found the supplier in violation of its standards and cut ties with it. **In 2020, Walmart reported that some of its U.S. suppliers use voluntary prison labor as part of prison rehabilitation programs.** However, the company has made statements against the use of prison labor in its supply chain and promised to review its policies. Its current supplier code of conduct only prohibits the use of involuntary prison labor.

energy

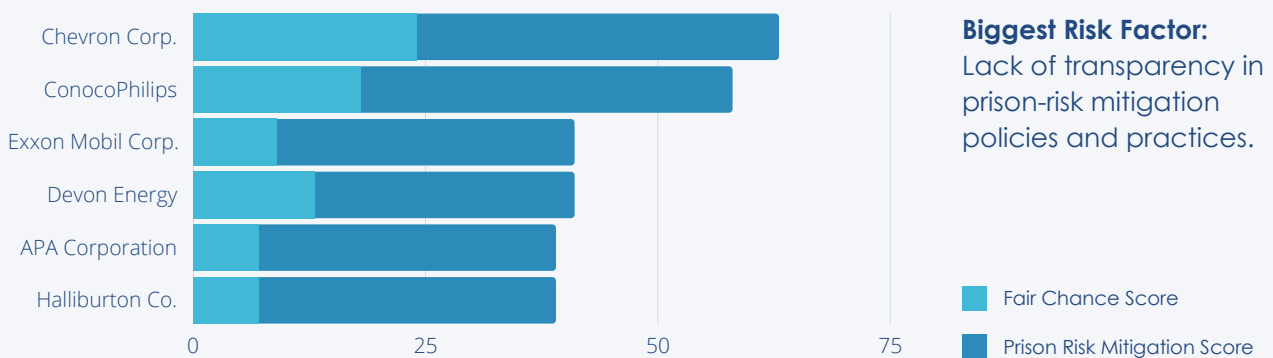
There are six Energy companies in our dataset, averaging a below the mean score of 46.8 out of 100. The score was impacted by the industry’s poor performance in FreeCap’s fair chance hiring indicators, averaging 13.0 out of 100 overall. **None of these companies have robust fair chance hiring policies and practices, nor have they made public commitments to end background checks as a vital component of the interview process.**

Additionally, Chevron is the only company in the group that publicly discloses robust diversity data across the company. Halliburton scored

particularly low on this indicator due to the lack of transparency: it is unclear how they handle background checks in the application process, and they do not disclose diversity statistics across the company.

The Energy industry received average prison-risk mitigation scores compared to other industries, averaging 33.8 out of 50. While none of these companies have notable contracts with prisons, most companies do not explicitly prohibit the use of prison labor in their supply chains, and they lack the necessary routine assessments to ensure it. ConocoPhillips is the only company to explicitly prohibit the use of prison labor.

FIGURE 8: ENERGY INDUSTRY RATINGS



financial services

There are 19 firms in the Financial Services industry, with a slightly below average score of 51.0 out of 100.

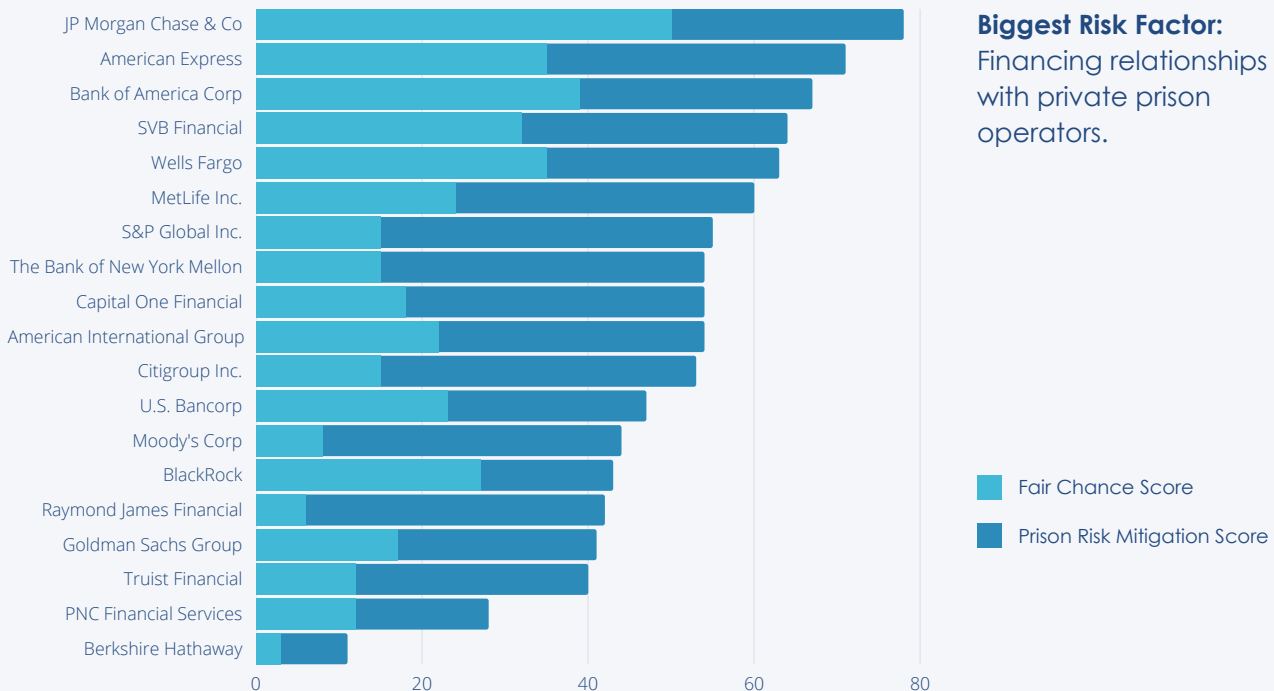
Companies in this industry averaged 21.5 out of 100 in the fair chance hiring indicator. Wells Fargo, J.P. Morgan Chase, BlackRock, and American Express are the only firms with transparent policies for how they handle background checks in the job application process. **J.P. Morgan Chase is the only financial services company to make the top ten company list overall.** Their leadership in fair chance hiring is notable given the industry has historically excluded

formerly incarcerated workers at a rate higher than their peers.

Although there is still significant work to do be done on increasing diversity at financial services companies in senior ranks, these companies have made progress on publicly disclosing more of their diversity statistics—an important first step in monitoring progress on this issue.

Financial Services scored below the mean on prison-risk mitigation, averaging 29.5. **The key risk facing major financial institutions is their exposure to private prisons through a variety of financing arrangements.**

FIGURE 9: FINANCIAL SERVICES INDUSTRY RATINGS



Biggest Risk Factor:
Financing relationships with private prison operators.

■ Fair Chance Score
■ Prison Risk Mitigation Score

These institutions underwrite bonds, advise on mergers and acquisitions, and offer direct financing to private prisons to enable them to sustain their operations. **CoreCivic (CXW) and GEO Group (GEO) are the only two publicly traded private prison companies and are reliant on financing relationships with banks to sustain their operations.**

J.P. Morgan Chase, Wells Fargo, Bank of America, BNP Paribas, Barclays, Fifth Third Bank, Truist Financial, US Bancorp and PNC all have financing agreements with one or both private prison companies, but thanks to public pressure, each of these companies have agreed to not enter new financing arrangements. Blackrock and Vanguard, meanwhile, remain the two the largest shareholders in both CoreCivic and Geo Group.

Berkshire Hathaway, a holding company with ownership in various companies, scores particularly low relative to its peers on all FreeCap's indicators due to their lack of transparency and disclosures across all issue areas we measure.

The prison-risk mitigation score was also brought down by the lack of robust supplier code of conduct policies and auditing processes to manage exposure to prison labor in their supply chain. FreeCap recognizes, however, that supply chain risk is low for financial services companies given their business models.

This explains why there is less of a need for robust supply chain auditing. Although the benchmark for ratings across all industries is the same for this set of data, in the future, we intend to adapt our methodology to accommodate these industry-specific nuances.

Controversy Spotlight:

Berkshire Hathaway



Berkshire Hathaway is a conglomerate company with multiple subsidiaries—GEICO, Marmon, MidAmerican Energy Services, Shaw Industries Group, 3Wire Group, CTB Inc., and Fechheimer Brothers Company—that are known to have used prison labor within the past three years. In 2019, one of Shaw Industries' plants closed in Clinton, South Carolina, whose workload was then absorbed by two different correctional facilities in the state.

Not only does Berkshire Hathaway and its subsidiaries profit from prison labor, but the company also lacks transparency in its policies. **Although information tends to be more available for the company's subsidiaries, it is difficult to find transparent, comprehensive information or policies on the company itself.** The company appears to have a Code of Business Conduct and Ethics, but mentions neither prison labor nor hiring practices.

health care

There are 15 health care companies in our dataset, averaging a score of 57.2 out of 100, close to the mean for the overall dataset.

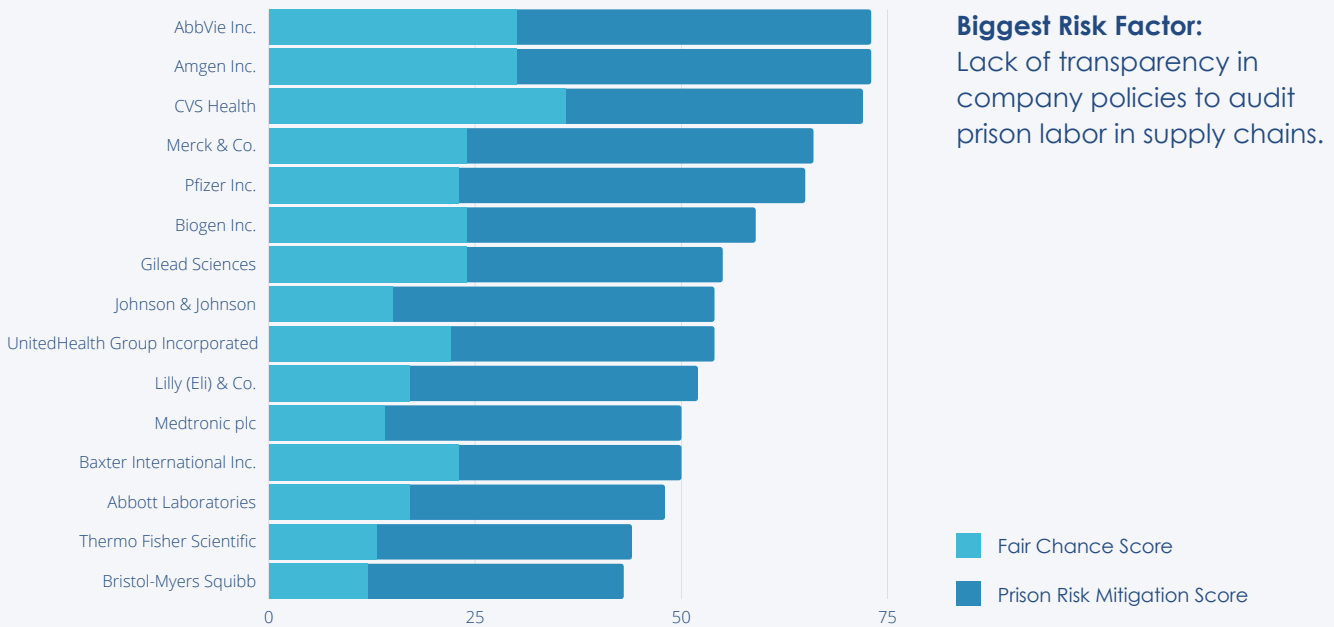
Companies in this industry averaged 21.6 out of 50 in the fair chance hiring indicator. **As an industry, health care companies have not taken steps to lower barriers to employment for formerly incarcerated workers.** CVS Health is the only company that has made a public commitment to fair chance hiring.

The health care industry received average prison-risk mitigation scores compared to other industries, averaging 35.6 out of 50.

Although over half the companies in the group explicitly ban the use of prison labor in their supplier code of conduct policies, most of them lack transparency policies to monitor this risk in their supply chain (Merck & Co and Pfizer Inc are the exception).

A handful of companies have a history of minor vending relationships with prisons, but none that meet our threshold for egregious activity.

FIGURE 10: HEALTH CARE INDUSTRY RATINGS

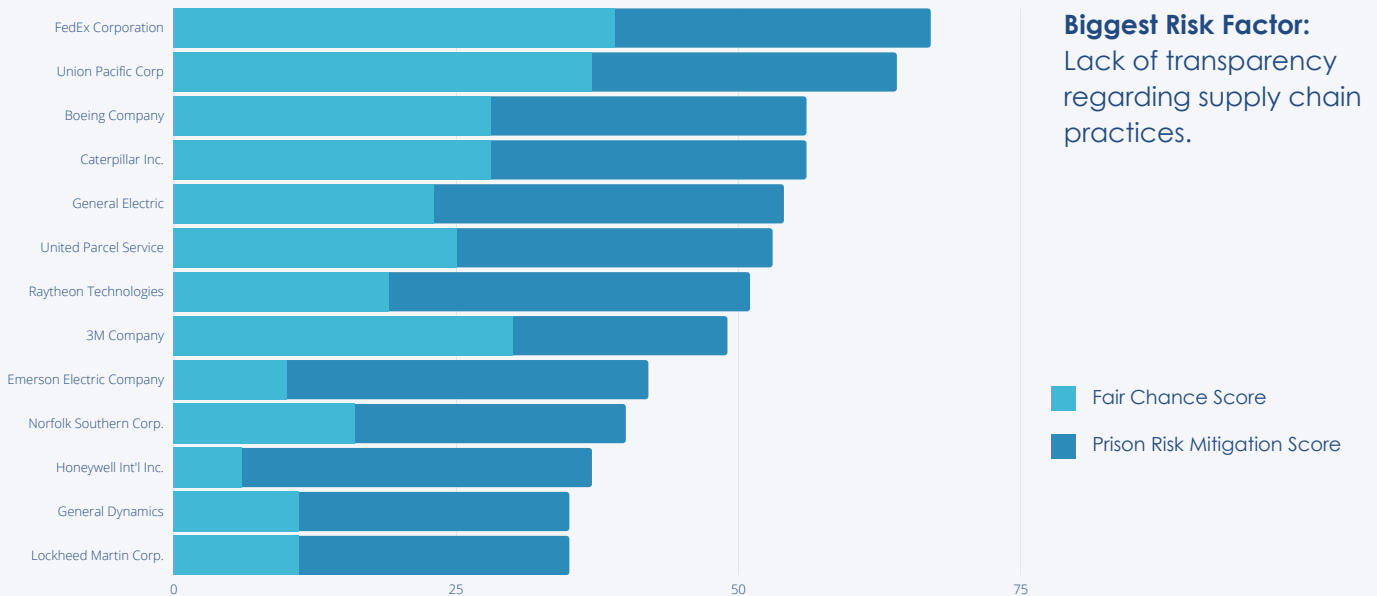


industrials

There are a total of 13 Industrial companies in our dataset, averaging a score of 49.2 out of 100. Industrials averaged 21.8 out of 50 for fair chance hiring, slightly below the mean. **Union Pacific Corp is the only company in this industry that has made a public commitment to fair chance hiring and publicly states that they limit background checks until after a conditional offer of employment is made.**

This industry scored poorly on most prison-risk mitigation indicators, averaging 27.4 out of 50 because of a lack of corporate social responsibility initiatives and prison-risk management tools. Most companies do not explicitly ban the use of prison labor in their supply chains, and the few that do lack the auditing tools to ensure compliance. **3M, in particular, has been noted for deep involvement in the prison-industrial complex and has lobbied for state laws that expand vending relationships with prisons.**

FIGURE 11: INDUSTRIALS INDUSTRY RATINGS



Controversy Spotlight:

3M



3M Company has been spotlighted by nonprofit watchdog groups, Investigate and Worth Rises, for its extensive vending relationships with prisons and use of prison labor programs. 3M is a corporate member of the National Correctional Industries Association, which promotes itself as supporting incarcerated workers' professional development to "improv[e] public safety, business operations, and successful reentry."

Notwithstanding their lofty goals, the merits of these programs are debatable. For example, 3M provides raw supplies for license plates to 43 prison factories for workers to manufacture into plates. **3M lobbied in favor of laws that would require more frequent replacement of license plates, to increase profits and, as a result, deepen their involvement in the prison industrial complex.**

From 2008 to 2010, UNICOR contracted one of 3M's subsidiaries, Ceradyne, to supply UNICOR with ceramic shields to produce helmets for the U.S. military. From 2010 to 2017, one of 3M's other subsidiaries, Attenti, manufactured electronic monitoring devices such as ankle bracelets. 3M also holds contracts with places such as the California Prison Industry Authority.

When, in 2018, an article published in the Financial Times accused 3M of using Chinese prison labor, the company stated that it "does not engage or participate in exploitative working conditions, and [was] not aware of any 3M suppliers in China using prison labor." Although the company promised to investigate the claim, no further statements have been released regarding the issue. There is no evidence indicating that 3M will stop its vending relationship with prisons.

information technology

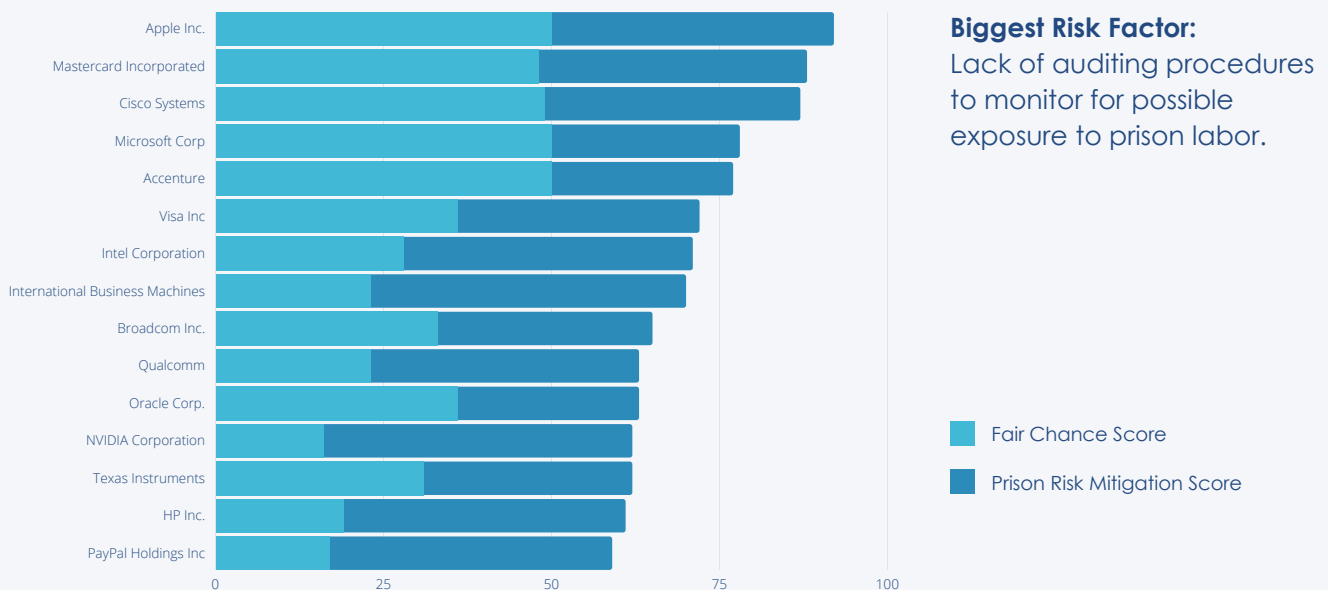
With 15 companies in our dataset, Information Technology is the highest-scoring industry with an average score of 71.3 out of 100.

Information Technology companies scored exceptionally well on our fair chance hiring indicators, averaging 33.9 out of 50, the highest of any industry. Almost every company was transparent regarding its diversity numbers. Accenture, MasterCard, Microsoft, and Texas Instruments are all members of the Second Chance Business Coalition and have made public commitments to

fair chance hiring. Apple, in particular, scored exceptionally well in our dataset thanks to its detailed diversity statistics and firm-wide efforts to recruit and retain a diverse workforce.

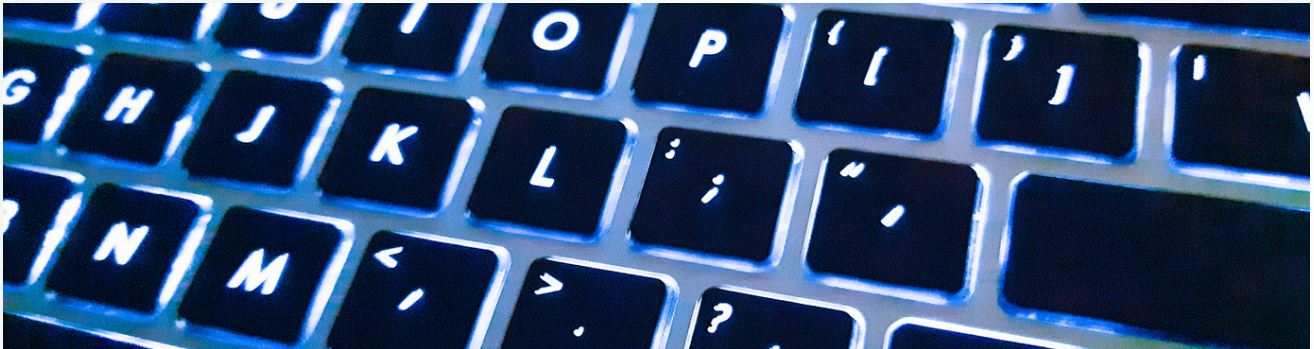
Information Technology companies scored slightly above the mean in prison-risk mitigation, averaging 37.4 out of 50, because of their robust supply chain code of conduct policies requiring transparency and limiting forced labor. However, there were not consistent audits in place to ensure compliance with these policies.

FIGURE 12: INFORMATION TECHNOLOGY INDUSTRY RATINGS



Controversy Spotlight:

Microsoft



Nonprofit watchdog groups have spotlighted Microsoft for providing data and information systems for immigration enforcement. Microsoft is a member of the Integrated Justice Information Systems (IJIS) Institute, promoting information technology to “promote public safety.”

Microsoft Azure Government, a digital cloud service, currently provides information technology services to the Department of Homeland Security and

Immigration and Customs Enforcement. Through third-party providers, Microsoft Azure has become the second most used cloud platform for DHS. Microsoft Azure also hosts the FBI's biometric database, Next Generation Identification.

ICE has also used GitHub since 2016, which is Microsoft-owned. It appears that Microsoft is not planning on cutting its ties with law enforcement, as it has an upcoming five-year, \$100 million cloud contract with ICE.

materials, real estate, & utilities

The Real Estate, Materials, and Utilities industries are represented in the dataset by a total of seven companies, averaging a score of 40.0 out of 100. The companies in these three industries had the worst scores of all the companies we ranked on fair chance hiring, with an average score of 12.3 out of 50.

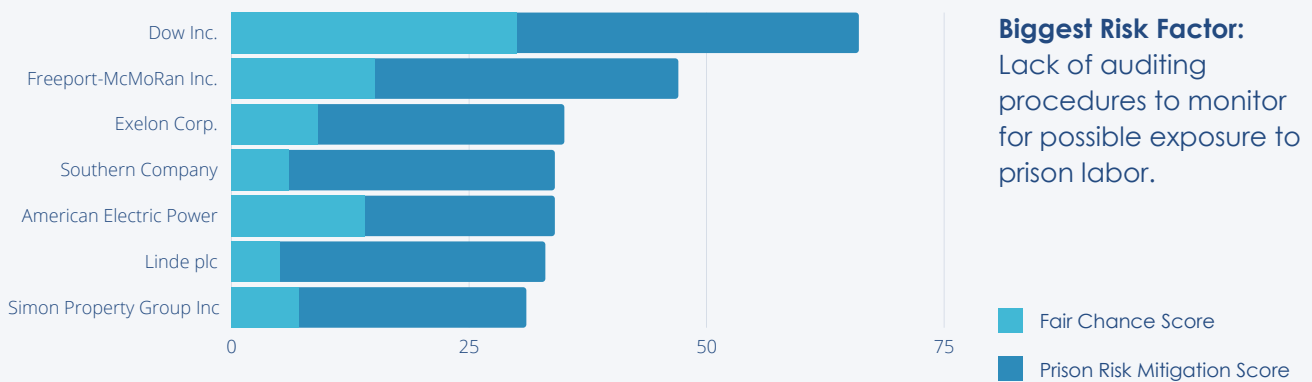
Dow Inc. is the highest ranked company in this sector as it is the only company that does not ask about criminal history on its job application or conduct background checks before making an offer of employment. Dow Inc. and Freeport-McMoRan Inc. were also the only two

companies to disclose employee diversity statistics.

While they prohibit discriminatory hiring practices and labor conditions, they have not yet taken the steps necessary to include and welcome formerly incarcerated employees into their workplace openly.

Companies in these industries also received below-average scores for prison-risk mitigation metrics, averaging 27.7 out of 50. Although none of the companies within these industries have a deep involvement in the prison

FIGURE 13: MATERIALS, REAL ESTATE, & UTILITIES INDUSTRY RATINGS



methodology



This section offers a brief description of our metrics, outlines our scoring and weighting methodology, and provides our rubric for scoring. While our research findings extend beyond the content of this report, we intend this report to provide an initial set of insights into the key touchpoints connecting companies to currently and formerly incarcerated individuals.

In doing so, we can begin to measure the role companies play in setting societal standards for justice and equity.

For investors and asset managers, we believe it is necessary to consider these indicators to make more informed investment decisions. We believe that better company practices and policies will result in better financial returns and improved societal outcomes.

scoring and weighting




To create FreeCap's company rating framework, our research team first conducted a comprehensive analysis of the many touchpoints between companies and formerly and currently incarcerated individuals. After collecting data from a variety of sources including academic research papers, news articles, and interviews with stakeholders, we identified key leadership criteria to develop a scorecard with a nuanced perspective on corporate impact on mass incarceration.

Our overall scores for companies are rated out of 100, and both fair chance hiring and prison-risk mitigation scores are rated out of 50. To score the 105 companies in our

dataset, we collected data from public files, including but not limited to, public company disclosures, non-profit watchdog groups, and industry associations. We weighted metrics based on their relative impact on the prison industrial complex.

After completing our research, we then conducted a company verification survey in which each rated company could submit additional information. Of the 105 companies we contacted, only five companies completed this survey. We then incorporated their input into our final ratings. Using this finalized data, we benchmarked each company against its industry peers.

scorecard



FreeCap's Criminal Justice Scorecard makes it easier to evaluate a company's impact on mass incarceration. Our rating methodology centers on two thematic indicator groups: **fair chance hiring**, and **prison risk mitigation**.

Five metrics fall under each of these indicators. To calculate a company's score and its positive relationship to justice-involved individuals, we weigh the following ten metrics. This score provides a comprehensive look at a company's 'criminal justice footprint.' The weighting system is designed to reflect the influence of each data point in creating more equitable outcomes for justice-involved individuals.

**To purchase our full dataset
and scoring rubric visit:**

www.freecapfinancial.com/cjscorecard

bibliography

introduction

"Mass Incarceration: The Whole Pie 2020," Sawyer and Wagner, Prison Policy Initiative, 24 March 2020.

"Does a Criminal Past Predict Worker Performance? Evidence from One of America's Largest Employers," Lundquist, Pager, and Strader, Social Forces, Volume 96, Issue 3, March 2018.

"Criminal Background and Job Performance," Minor, Persico, and Weiss, 4 May 2017.

"The Johns Hopkins Hospital Success in Hiring Ex-Offenders," Paulk, John Hopkins Medicine, September 2016.

"Inside the wacky world of weird data: What's getting crunched," Javers, CNBC, 12 February 2014.

"Prison Labor in the United States: an Investor Perspective," Goodridge, Schwartz, Jantz, and Christian, NorthStar Asset Management, April 2018.

"The Prison Industry: Mapping Private Sector Players," Worth Rises, May 2020.

key findings

JPMorgan Chase 'bans the box,' will consider job applicants with criminal past," ABC Action News, 22 October 2019.

"JPMorgan Chase expands effort to hire people with criminal backgrounds," Banking Dive, 21 October 2019.

"Prison Labor and the 13th Amendment," Equal Justice Initiative, 1 February 2016.

Starbucks Coffee, Twitter.com., Accessed May 2021.

"Global Sustainable Investment Review 2020," Global Sustainable Investment Alliance, 2021.

"FLASH REPORT: 86% of S&P 500 Index Companies Publish Sustainability/Responsibility Reports in 2018," Governance & Accountability Institute, Inc., 16 May 2019.

"Take the Fair Chance Pledge," The White House.

bibliography

industry specific trends

"The Prison Industry: Mapping Private Sector Players," Worth Rises, May 2020.

"Prisons," Investigate, The American Friends Service Committee, Accessed May 2021.

"Florida Accountability Contract Tracking System," Jimmy Patronis, Florida's Chief Financial Officer.

"Does Starbucks Hire Felons in 2021?," Jobs For Felons, 2021.

"Federal Court Approves Settlement with Target over Discriminatory Criminal Background Screening Policy," NAACP Legal Defense and Educational Fund, 5 December 2019.

"Your favorite Nikes might be made from forced labor. Here's why.," Washington Post, 17 March 2020.

"The end of 9-5: 'Complete and utter trust' fuels move to flexible working at PepsiCo," Human Resources Director, 12 November 2020.

Prashar, "American businesses are raking in billions from the prison-industrial complex. It's time to get serious about dismantling this disgusting system," Insider, 14 September 2020.

Prashar, "If businesses want to promote justice, they can help end the prison-industrial complex," Fast Company, 18 August 2020.

McDowell and Mason, "Cheap labor means prisons still turn a profit, even during a pandemic," PBS, 8 May 2020.

Cagle and Ozer, "Amazon Teams Up With Law Enforcement to Deploy Dangerous New Face Recognition Technology," ACLU, 22 May 2018,

Denham, "'No Tech for ICE': Protesters demand Amazon cut ties with federal immigration enforcement," Washington Post, 12 July 2019.

Cornillie, "ICE Seeks Large New Cloud Contract Involving Microsoft, Amazon," Bloomberg, 17 November 2020.

"2 Upstate prisons to absorb some of the workload after Shaw Industries' Clinton plant closes, officials say," WSPA, 26 June 2019.

bibliography

Schwartzter, "Costco Commits to Continued Reporting on Prison Labor," NorthStar Asset Management, 24 October 2019.

"Statement on Prison Labor 2020 Update," Costco Wholesale Corp, 2019.

Mendoza, "Company making Costco pajamas flagged for prison labor," AP News, 8 October 2019.

Kang, Mendoza, and Wang, "US sportswear traced to factory in China's internment camps," AP News, 19 December 2018.

"Calling Out Companies That Use Prison Labor," GlobalTel, 25 October 2019.

Gault, "Report: Your Gadgets Are Made by Re-Education Camp Prisoners in China," Vice, 2 March 2020.

"Who's Behind ICE? The Tech and Data Companies Fueling Deportations," Mijente.

Cornillie, "ICE Seeks Large New Cloud Contract Involving Microsoft, Amazon," Bloomberg, 17 November 2020.

Palast, "Praise Uncle Sam and pass the 18p an hour," The Guardian, 19 June 1999.

Warren, "You buy a purse at Walmart. There's a note inside from a 'Chinese prisoner.' Now what?" Vox, 10 October 2018.

Alexander, "Walmart Reviews Prison Labor Policy After Civil Unrest Over Race," Bloomberg, 24 June 2020.

D'Innocenzio, "Walmart to continue to review policy on prison labor," ABC News, 25 June 2020.

disclaimers

The information contained in this report has been prepared by FreeCap Financial Inc. (“FreeCap”). No part of this report may be reproduced in any manner without the prior written permission of FreeCap. Any commercial use of this material or any part of it will require an express written license from FreeCap. [Those wishing to enter into an express written licensing agreement with FreeCap should contact FreeCap at \[info@freecapfinancial.com\]\(mailto:info@freecapfinancial.com\).](#)

All Trademarks included in this report are exclusively owned by the mark owner. FreeCap and its products or services are not affiliated with or endorsed by the mark owners.

The report does not constitute, or form part of, any offer to sell or issue, or invitation to purchase or subscribe for, any financial instrument. Nor shall the information contained in this report or any part of it, or the fact of its existence or distribution, form the basis of, or be relied on in connection with, any contract or investment decision, nor does it constitute a recommendation regarding financial instruments. The report should not be treated as giving accounting, legal, regulatory, tax, research or investment advice or recommendations, and should not be relied upon as a representation of any matter that a potential investor should consider when evaluating an investment.

The information contained in this report does not consider the objectives, financial situation or needs of any person, and independent personal advice should be obtained. Recipients of this report should inform themselves about and observe any applicable legal requirements in their jurisdiction. The distribution of this report may be restricted by law in certain jurisdictions. Accordingly, recipients represent that they can receive this report without contravention of any applicable legal or regulatory restrictions in the jurisdiction in which [with] they reside or conduct business.

Any views expressed in this report represent the views of FreeCap only. The information and opinions contained in this report are provided as of this date and are subject to change without notice and as such may change materially. The statements, findings, interpretations, opinions and conclusions expressed in this report are developed in accordance with FreeCap’s professional standards and the information used has been obtained from sources which we believe to be reliable. Neither FreeCap nor any of its agents, representatives, advisers, affiliates, directors, officers or employees (“Representatives”) accept any responsibility for or make any representation, warranty, guarantee or undertaking (either express or implied) as to the truth, accuracy, reliability, correctness or completeness of the information and opinions contained in this report or any other information made available in connection with this report. Neither FreeCap nor any of its Representatives undertake any obligation to provide the recipients of this report with additional information or to update the information contained therein or to correct any inaccuracies which may become apparent.

TO THE MAXIMUM EXTENT PERMITTED BY LAW ANY RESPONSIBILITY OR LIABILITY FOR THIS REPORT OR ANY RELATED MATERIAL IS EXPRESSLY DISCLAIMED. NEITHER FREECAP NOR ITS REPRESENTATIVES ACCEPT OR ASSUME ANY LIABILITY, RESPONSIBILITY OR DUTY OF CARE FOR ANY CONSEQUENCES OF ANY PERSON ACTING, OR REFRAINING TO ACT, IN RELIANCE ON THE INFORMATION CONTAINED IN THIS REPORT OR ANY DECISION BASED ON IT.

funders

Echoing Green



Roddenberry Foundation



SoGal

advisors, researchers and supporters

Alluvium Insights
Alyssa Lovegrove
Apoorv Karmakar
Aditya Manjul
Adrianna Seeney
Assefash Makonnen
Avery Oliver
Brennan Dubose
Brennan Klose
Camille Darling
Chloe Quigley
Deloitte Consulting
Dove Baum
Emily Thomas
Erika Folgar
Fletcher Social Investment Group
French Press Public Relations
General Assembly
Georgetown's Innovo Consulting Group
Georgetown Pivot Program

Grace Lu
Halcyon Incubator
Jasmine Rashid
Jordan Brown
Joshua Quiros
Juan Leon
Katherine Morison
Kayoko Lyons
Kim Wilson
Kravis Lab at Claremont McKenna
Lucas Turner-Owens
Marc Howard
Monica Ballesteros
Samuel Jewett
Sankofa.org
Tony McCright
Travis Edwards
The Fletcher School at Tufts University
Vassar College
Xade Wharton-Ali



Invest in freedom.



www.freecapfinancial.com

@FreeCapFin