

FreeCap's 2023 Criminal Justice Report



Investment criteria to end
mass incarceration

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 premier 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 to invest in companies with strong ethical business practices and invest in freedom.

"The way to right wrongs is to turn the light of truth upon them."

- Ida B. Wells

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Introduction

Letter From Our CEO

We are excited to publish our second Criminal Justice Report covering the S&P 100! When we first started our research in 2019, we embarked on a mission to understand how corporations impact current and formerly incarcerated people. **Today, we have created the most comprehensive view of how companies profit from the prison industrial complex.**

This report analyzes companies' 2022 programs and policies regarding fair chance hiring and prison risk mitigation. We also highlight these companies' progress since 2021 using data from our first [Criminal Justice Report](#).

This year, I'm excited to announce two key important updates we've made to advance and expand the scope of our research:

First, **we broadened our data collection by creating a new dataset that tracks the exact dollar amount companies make from prisons.** Our new Prison Vending Relationship Dataset aggregates payments between 3,000 companies and corrections departments across the United States and quantifies how much each company has made since 2019. The dataset covers 33 states, representing over 70% of the US incarcerated population. By spanning the entire Russell 3000 Index with historical trend data, we can better quantify a company's impact on mass incarceration at a scale that has never been done before.

Second, we adjusted our scoring methodology to focus our data collection on metrics that are collectable, actionable, and impactful. By streamlining our data collection from ten metrics down to seven, we can better ensure data accuracy and offer clearer insights into the key actions that companies

can take to lower their criminal justice footprint.

We've seen some notable trends in the ESG industry since the publishing of our 2021 report. Namely, we've noticed a significant increase in fair chance hiring efforts. Due to the Black Lives Matter movement, there has been a push for diversity in the workplace and increase in EEO-1 data disclosure. Looking forward, we hope to see companies reduce barriers to hiring justice-involved individuals as an extension of these inclusion efforts.

Progress like this is great to see, but we still have a long way to go. Reports like this one are needed to help investors and companies create a more equitable world for justice-involved individuals. By utilizing FreeCap's criminal justice dataset, investors can better manage the ESG risk in their portfolios by screening out companies who have significant involvement in the prison industrial complex and positively screening in companies who are leaders in fair chance hiring and prison risk mitigation. Our data can also direct activism campaigns, including shareholder engagement efforts related to criminal justice, and serves as an opportunity to consider our role as ESG investors in ending the mass incarceration crisis.

In solidarity,



Tanay Tatum-Edwards

Founder & CEO
FreeCap Financial

Executive Summary

This report details which companies are leaders in two key criminal justice themes: fair chance hiring and prison risk mitigation. Using FreeCap's Criminal Justice Scorecard, this report showcases the leaders and laggards in each topic by industry and provides case studies of companies that have policies supporting criminal justice. This report also reveals which companies have significant relationships with prisons.

New Prison Vending Data

In 2022, we became the first ever data provider to quantify the relationships companies have with prisons. We've done so by collecting vending data from 33 states directly from State Comptrollers, the Federal Bureau of Prison Comptrollers, & the Federal Bureau of Prisons. **Using this data, we now rank every company in the Russell 3000 Index based on their dollar amount transactions with prisons.**

Two Criminal Justice Lenses

Fair Chance Hiring

Initiatives to give justice-involved workers a fair chance during the hiring process, such as active recruitment and bias reduction, help reduce recidivism rates and have proven excellent for business.

Below are three key observations of the S&P 100 through a fair chance hiring lens.

- Five of the 105 companies represented in the S&P 100 received a perfect score for all four fair chance hiring metrics.
- In 2021, less than one-third of the S&P 100 made a public commitment to fair chance hiring of justice-involved

applicants. In our newest findings, this statistic remains the same.

- In 2021, 64% of the S&P 100 reported detailed workforce diversity statistics or their EEO-1 report. Since then, the percentage of companies has risen to 95%.

Prison Risk Mitigation

Companies engaged in prison labor put themselves at risk of lost productivity, future income growth, and media backlash.

Below are three findings of interest regarding the S&P 100's prison risk mitigation efforts.

- 11 companies in the S&P 100 received a perfect score for all three prison risk mitigation metrics.
- Less than one-fifth of the S&P 100 have explicitly banned the use of prison labor in their supplier code of conduct and even fewer companies publicly disclose their process for managing these risks.
- In nearly every industry, two to three companies disproportionately benefit from prison contracts, according to our Prison Vending Relationship Dataset.

Overall Scores

Across all industries, there has been an increase in average total scores since our last report. In 2022, eleven more companies scored above 50 total points. It is also worth noting that four of the 2022 top ten companies were also leaders in our 2021 dataset for maintaining their policies and criminal justice support. Apple was the top performing company, receiving a complete score of 100 points.

Prison Vending Relationship Data

Prison Vending Relationship Data

FreeCap has created the only ESG dataset to objectively quantify the prison industrial complex by tracking the exact dollar amounts that companies receive from prisons. Our new Prison Vending Relationship Dataset tracks vending contract data between 3,000 companies and corrections departments across 33 states, representing over 70% of the US incarcerated population. Access to the remaining 17 states data is currently restricted.

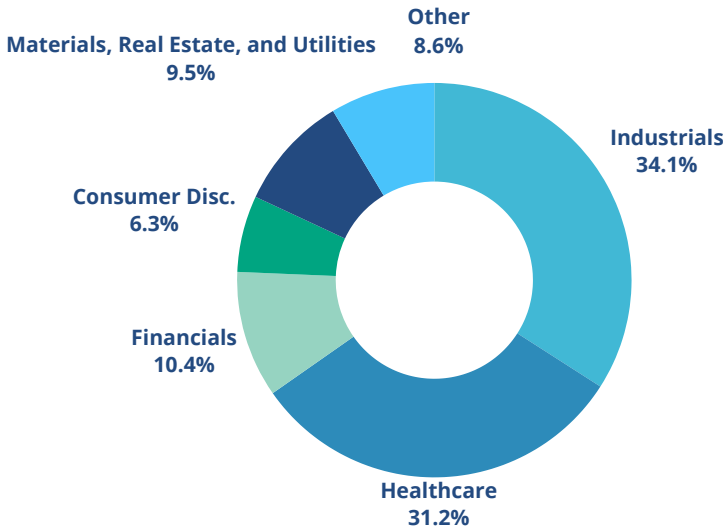
FreeCap’s Prison Vending Relationship Dataset expands on the work of existing nonprofit organizations to identify companies’ vending relationship with prisons. In 2022, we began compiling our own data on the Russell 3000 Index. FreeCap tracks the dollar amount of these vending contracts, objectively measuring the relationship between the company and U.S. prisons. This dataset is a compilation of all transactions between companies in the Russell 3000 Index and State Correctional Facilities, as well as the Federal Bureau of Prisons since 2019.

Between 2019 and 2022, **we have tracked over \$8.6 billion dollars in contracts between state and federal prisons and the Russell 3000 Index.** Our data shows that Industrials is the industry holding the largest contracts with prisons since 2019, totaling \$2.9 billion (34% of all Russell 3000 vending contracts). Vending contract amounts between the Russell 3000 and prisons total to at least \$2 billion annually.

The company with the most significant vending relationship with prisons is The GEO Group Inc., with transactions totaling over \$1.5 billion. GEO Group owns, leases, and operates prisons, immigration detention centers and residential reentry centers. While they claim the work of inmates is voluntary, their “inmate handbooks” explain that incarcerated employees can be threatened with punishment.

This unique dataset is the only existing one to quantify the vending relationships of 3,000 companies and corrections departments across the United States. It allows for investors to benchmark thousands of companies and further evaluate the reputational risk of those in their portfolios. Aligning investments with racial equity values has been made easier with this data, and it is available for subscription through FreeCap Financial.

FIGURE 1: TOTAL VENDING CONTRACTS BY INDUSTRY, 2019-2022



“Other” is Communications, Consumer Staples, Energy, and Information Technology, with contracts below \$500 million.

Key Findings

Top Rated Companies

We are excited to share our 2022 list of leaders! **These ten companies have shown support for hiring workers with criminal records, while simultaneously minimizing their involvement in the prison industrial complex.** Starbucks, Apple, Target, and JP Morgan Chase were also leaders in our 2021 dataset, maintaining their policies and support.

FIGURE 2: S&P 100 TOP RATED COMPANIES IN 2022

Name	Sector	Ticker	Total Score
Apple Inc.	Information Technology	AAPL	100
Target Corp.	Consumer Discretionary	TGT	95
Intel Corp.	Information Technology	INTC	90
Starbucks Corp.	Consumer Discretionary	SBUX	90
Alphabet Inc.	Communications	GOOGL	85
Coca-Cola Co.	Consumer Staples	KO	85
JP Morgan Chase & Co.	Financials	JPM	85
Union Pacific Corp.	Industrials	UNP	85
Walmart Inc.	Consumer Staples	WMT	85
CVS Health Corp.	Healthcare	CVS	80

Companies with the best "criminal justice" footprint.

Three companies moved up from the top 20 of our previous dataset. In 2021, Alphabet ranked 14th, and Coca-Cola and CVS Health tied for 18th. Now, all three companies have placed in the top 10. These three have further developed their prison risk mitigation strategies. Both Coca-Cola and CVS received full points for all prison risk metrics, as the

two have no vending contracts with prisons and explicitly ban the use of prison and forced labor in their supply chain. Alphabet showed significant improvement regarding fair chance hiring practices and received full points for these metrics. The company only takes an individuals' criminal record into account based on relevance to job

FIGURE 3: S&P 100 TOP RATED COMPANIES BY YEAR

2021	Total Score	2022	Total Score
1. Starbucks	99	1. Apple (+2)	100
2. Facebook (Meta)	94	2. Target (+3)	95
3. Apple	92	3. Intel (+18)	90
4. Target	89	4. Starbucks (-3)	90
5. Mastercard	88	5. Alphabet (+9)	85
6. AT&T	87	5. Coca-Cola (+13)	85
7. Cisco Systems	87	5. JP Morgan Chase (+5)	85
8. PepsiCo	83	5. Union Pacific (+30)	85
9. Procter & Gamble	82	5. Walmart (+47)	85
10. JP Morgan Chase	78	10. CVS Health (+8)	80

Companies with the best "criminal justice" footprint.

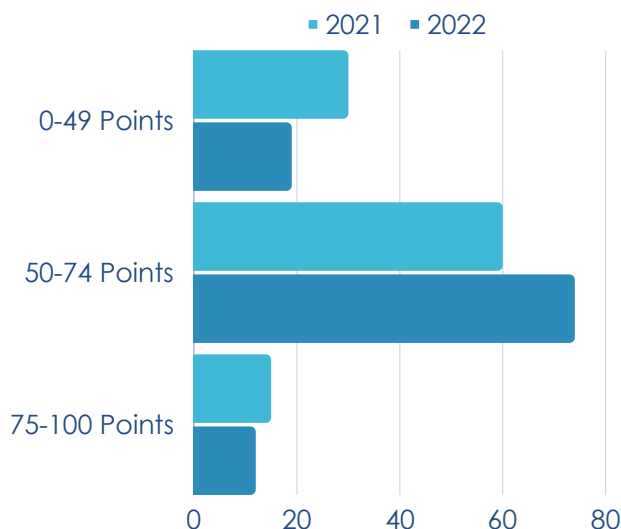
function and has created the "Grow with Google Career Readiness for Reentry" program. This program provides justice-impacted individuals with digital skills training that can be applied to a job or starting a business after release.

In 2021, Intel ranked 21st, with a total score of 71 out of 100. Our most recent research puts Intel 3rd in the overall S&P 100. The company recently prohibited all forms of prison labor in their supply chain to "better align with our focus on changing expectations around social justice." They also emphasize internal accountability to uphold this policy and keep their supply chain free of forced labor.

Union Pacific and Walmart made significant changes, jumping from 35th and 52nd respectively to the top 10 this year, tying for 5th highest cumulative score. Union Pacific developed a fair chance hiring initiative and updated its supplier policies to better protect their workers from forced labor.

Walmart also increased their support for fair chance hiring by starting a partnership with reentry service providers to improve employment outcomes for those formerly incarcerated. Walmart has also recently limited their vending contracts with prisons.

FIGURE 4: S&P 100 COMPANIES TOTAL SCORE RANGE BY YEAR



In 2022, the S&P 100's mean score was 57 out of 100 points. Due to improvements in companies' policies over the year, there has been an overall upward trend in scores for the S&P 100. Between 2021 and 2022, the mean score did not significantly shift, but the scoring distribution changed. Scores are now more heavily concentrated around 50 to 74 points, and eleven fewer companies scored less than 50 points compared to 2021.

The most significant shift in scores occurred through the Diverse Representation metric. **36 companies increased their workforce diversity efforts, making the percentage of companies that received a perfect score for this metric increase from 61% in 2021 to a whopping 95% in 2022.** The 2020 Black Lives Matter movement generated a large push of

support for increased workforce diversity. In 2022, many major companies decided to publish their EEO-1 data along with annual diversity and inclusion reports, effectively raising the standard for diversity reporting. The EEO-1 form is workforce demographic data, "including data by job category and sex and race or ethnicity" which companies must submit to the Equal Employment Opportunity Commission.

This movement also caused an increase in company donations to racial and criminal justice nonprofit organizations. FreeCap accounts for these donations in the Corporate Social Responsibility metric. While these actions show companies consideration for historically underrepresented groups, we hope more impactful actions will follow.

We are calling on companies to support decarceration. They can do so by joining or developing fair chance hiring initiatives, and continually donating to criminal and racial justice organizations. These programs help those formerly incarcerated reintegrate into the workforce as well as increase companies pool of loyal and industrious talent. We also recommend companies more closely examine their supply chains to ensure that all work is voluntary, and terminate vending contracts with prisons.

Leadership Spotlight:

Apple

Apple scored 100 out of 100 points in the 2022 dataset. In 2021, the company received a score of 91. This improvement can be attributed to the company further developing their prison risk mitigation policies and initiatives over the years.

Apple has shown unwavering support for criminal justice reform in the past few years. The company has developed multiple programs to reduce barriers to entry for justice-impacted individuals.

Apple is currently partnered with “Houston Community College (HCC) to support second chance parolee/probationer education programming, leveraging Apple technology for career and college readiness.” This program focuses on improving adult literacy, providing GED training and workforce education in four different Harris County jails.

The company has also been partnered with Recidiviz, a tech nonprofit, since 2021. Recidiviz tracks changes in recidivism, racial disparities, and other prison population data.



This information is then shared with criminal justice leaders to provide them with a better understanding of the justice system and help determine the most pressing issues. Together, Apple and Recidiviz have supported reform efforts and assisted 15,000 people after their release. Apple has several other partnerships with organizations that serve the U.S. incarcerated population and help reduce recidivism rates.

Apple also has a thorough supplier code of conduct in place to prohibit the use of prison labor. Suppliers are banned from using any form of “slave, forced, bonded, indentured, or prison labor.” The company interviews supplier employees, as well as conducts third-party audits, to help identify any social impact risks in their supply chain.

Top Fair Chance Hiring Companies

The group of companies below had the most substantial fair chance hiring policies in practice. Employment after release is key to reducing recidivism. Furthermore, research shows that hiring justice-involved individuals can benefit employers and company success. Several studies found that **formerly incarcerated employees can have less turnover and longer tenures, than those without.** Those with convictions are also promoted faster and have higher retention rates than their peers. In addition to having a moral obligation to rectify the harms of mass incarceration, it is in companies' best financial interest to actively hire workers who are formerly incarcerated.

In 2021, less than one third of the S&P 100 made a public commitment to fair chance hiring for justice-involved applicants. In 2022, this statistic remained true.

Only seven of the 105 companies have developed programs to actively recruit formerly incarcerated workers. Less than half of the 105 conduct background checks on applicants after an offer of employment has been made.

Fair chance hiring progress in the S&P 100 remains stagnant, a fact that is detrimental to both justice-involved individuals and to the companies who are in need of loyal talent.

FIGURE 5: S&P 100 TOP FAIR CHANCE HIRING COMPANIES

Name	Sector	Ticker	Fair Chance Hiring Score
Alphabet Inc.	Communications	GOOGL	50
Apple Inc.	Information Technology	AAPL	50
JP Morgan Chase & Co.	Financials	JPM	50
Union Pacific Corp.	Industrials	UNP	50
Walmart Inc.	Consumer Staples	WMT	50
Target Corp.	Consumer Discretionary	TGT	45
Verizon Comm.	Communications	VZ	45
FedEx Corp.	Industrials	FDX	40
Intel Corp.	Information Technology	INTC	40
Starbucks Corp.	Consumer Discretionary	SBUX	40

Maximum score: 50

Highest scoring companies on FreeCap's Fair Chance Hiring Indicator.

Fair Chance Hiring Leadership Spotlight:

Union Pacific Corporation

Union Pacific Corp. jumped from 35th to 5th in the span of one year, mainly due to a new commitment to fair chance hiring.

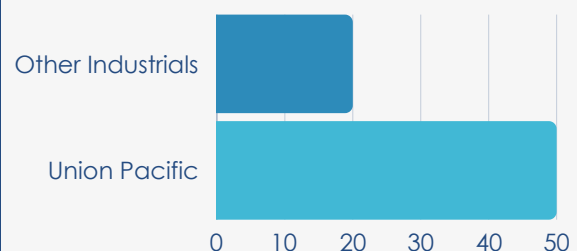
Union Pacific is a leader in fair chance hiring for actively recruiting justice-involved workers. FreeCap's data shows that less than one third of the S&P 100 has a policy that actively recruits justice-involved workers. Union Pacific Corporation is a leader within this small group. Union Pacific has been a member of the Second Chance Business Coalition since its creation in April 2021. This initiative supports the improvement of fair chance hiring practices for people with criminal records.

In addition, Union Pacific developed a pilot second chance hiring program in Houston, Texas. Union Pacific's hiring policies encourage qualified applicants with criminal records to apply.

Part of the hiring process includes an internal review panel, which allows the hiring team and applicant to discuss the context of the individual's conviction. This process has proved successful and has expanded nationwide. The company is determined to break the cycle of recidivism, increase employee diversity, and help people with criminal records make a successful reentry into the workforce.

Union Pacific is one of seven companies pertaining to the S&P 100 that have created their own second chance hiring initiative. By developing this program, Union Pacific learned how to best support employee candidates with criminal records and saw firsthand how fruitful these efforts have been. They have since begun to share the model of their program with other corporations and share insights from the program on their website.

FIGURE 6: UNION PACIFIC'S FAIR CHANCE HIRING SCORE VS. COMPETITORS



Top Prison Risk Mitigation Companies

This group of the S&P 100 consists of companies that had the most robust prison risk management policies and practices. 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 product quality and safety. **These vending relationships fuel the prison industrial complex.** Investors should be concerned about the reputational risk this poses to companies, especially at a time of increased scrutiny.

These leaders have implemented policies banning the use of any form of prison labor.

They also have developed internal procedures and conduct audits to ensure compliance with these policies.

Just one fifth of the S&P 100 have explicitly banned the use of prison labor in their supplier code of conduct. Only 17 percent have procedures in place to assess the social impact of their supply chain and manage possible risks of prison labor.

Today, major companies are likely to have human rights policies which ban modern slavery and human trafficking. However, since forced prison labor in the United States is still legal under the 13th amendment, many companies do not explicitly ban it from their supply chain.

FIGURE 7: TOP PRISON RISK MITIGATION COMPANIES

Name	Sector	Ticker	Prison Risk Mitigation Score
Apple Inc.	Information Technology	AAPL	50
Biogen Inc.	Healthcare	BIIB	50
Coca-Cola Co.	Consumer Staples	KO	50
Costco Wholesale Corp.	Consumer Staples	COST	50
CVS Health Corp.	Healthcare	CVS	50
General Electric Co.	Industrials	GE	50
Intel Corp.	Information Technology	INTC	50
PepsiCo Inc.	Consumer Staples	PEP	50
Starbucks Corp.	Consumer Discretionary	SBUX	50
Target Inc.	Consumer Discretionary	TGT	50
The Bank of New York Mellon Corp.	Financials	BK	50

Maximum score: 50

Highest scoring companies on FreeCap's Prison Risk Mitigation Indicator.

Prison Risk Mitigation Leadership Spotlight:

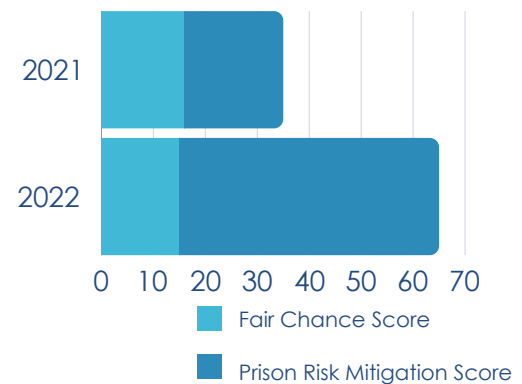
Costco Wholesale Corporation

In the span of one year, Costco jumped from 96th to 19th in the FreeCap dataset. This can be explained by our shifts in scoring methodology, and by Costco's increased transparency regarding their use of prison labor.

Reports of Costco using prison labor first surfaced in the mid 1990's. The company conducted supplier surveys in 2017, confirming these allegations and reporting that 11 facilities within their supply chain had a prison labor program.

Costco stands out for their honesty about their supply chain and efforts to directly address their use of prison labor. In 2020, the company made an announcement regarding this issue, stating that "reliably monitoring these additional standards has proven to be challenging due to the reduced transparency of prison systems in general.

FIGURE 8: COSTCO'S TOTAL SCORE BY YEAR



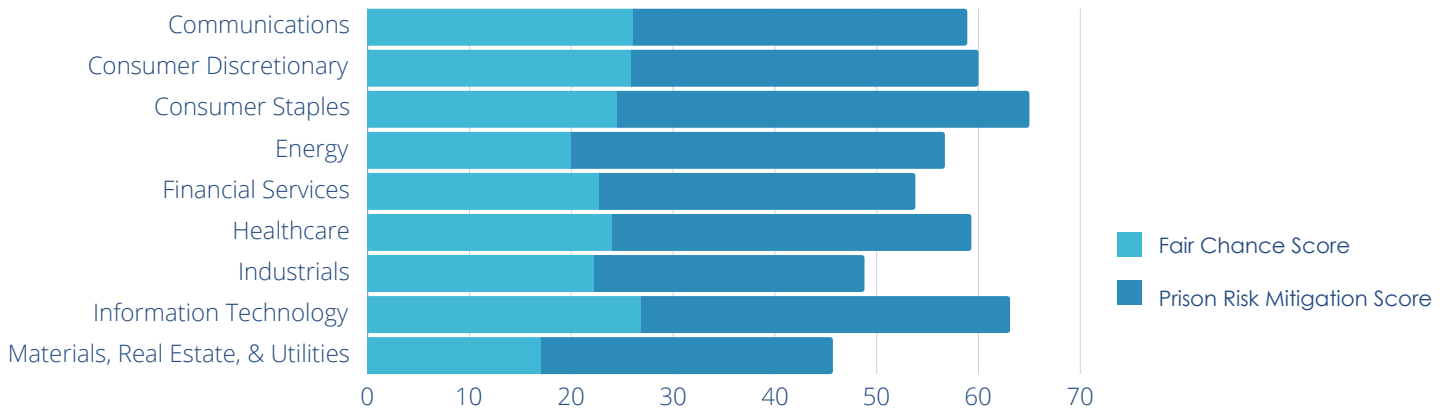
For this reason, we will begin to transition away from our limited use of legal prison labor.” **The company gave an update to this in 2022, committing to fully terminating prison contracts by the end of that year.**

Although the company has not yet followed up on this statement, this level of transparency is exemplary and is not common practice for companies. Only 18 other companies in the S&P 100 have systems within their supply chain to flag for instances of prison labor. Even fewer publicly report these findings and how it was addressed.

Once Costco officially terminates these contracts with prisons, they should expect to receive full points for FreeCap's prison risk metrics.

Industry Insights

FIGURE 9: S&P 100 INDUSTRIES BY AVERAGE TOTAL SCORE



Highest Scoring: This year's best performing industries are Consumer Staples and Information Technology, with overall average scores above 60 out of 100 points. Both industries are highly consumer facing, confronted with pressure to have strong social equity policies.

Information Technology companies received the highest average fair chance hiring score (26.9 out of 50) of all industries. This industry had a notable amount of hiring initiatives for formerly incarcerated individuals. PayPal and Apple both have second chance hiring programs, and six other IT companies have a statement within their hiring policy that actively recruits justice-involved applicants.

The best performing industry in the prison risk mitigation lens is Consumer Staples, with an average score of 40.5

out of 50. Seven companies in this industry explicitly ban the use of any prison labor from their supply chains, and four have risk assessments in place to catch instances of forced labor.

Lowest Scoring: The worst performing industries are Materials, Real Estate, Utilities and Industrials. These four groups averaged a total score below 50 out of 100 points. Both Utilities and Industrials have significant vending contracts with prisons, while Materials and Real Estate companies do not show support for fair chance hiring.

The worst performing group in the fair chance hiring lens is the Materials, Real Estate, and Utilities Industries, with a combined average score of 17.1 points. As a collective, these industries' hiring processes disfavor justice-involved applicants.

All these companies have yet to develop programs that intentionally hire individuals with criminal records.

The Industrials industry received the lowest average score for prison risk mitigation metrics of 26.5 points. The companies within this industry have strong vending contracts with prisons, and a lack of transparency regarding supply chain practices.

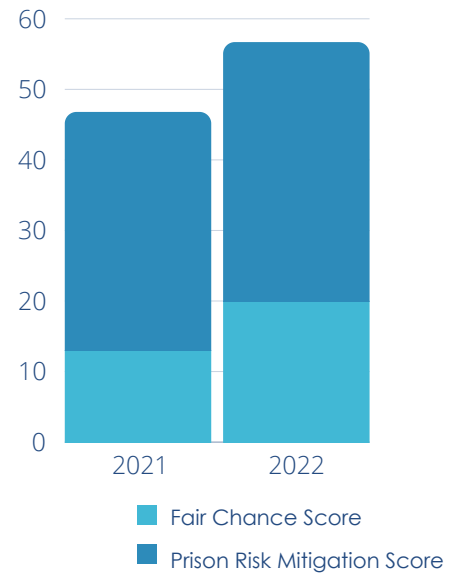
Companies wishing to improve their best hiring practices score can work with community partners to develop recruiting channels and training programs for those with criminal backgrounds. They can also set goals to hire a certain percentage of justice-involved employees and track their progress.

To improve their prison risk mitigation score, companies can enlist a third-party to assess their supply chains for human rights and prison labor violations. Increasing transparency is also highly valuable, including publishing existing contracts with prisons and sharing any progress towards eliminating prison labor from their supply chain.

Most Improved: Within one year, Energy companies increased their average total score by 10 points, moving their ranking up from 8th to 6th. This was mainly due to companies increasing their workforce diversity efforts.

Additionally, this group has no significant vending contracts with prisons, making Energy the only industry to receive a perfect score for the Vending Relationship metric.

FIGURE 10: ENERGY INDUSTRY'S AVERAGE TOTAL SCORE BY YEAR



Laggers: As we expand this dataset, we anticipate further adjustments being made to the scoring methodology to better capture fair chance hiring and prison risk mitigation efforts. We acknowledge that some companies, especially those in the Financial Services industry, do not have physical supply chains. As a result, oftentimes they lack strong supply chain policies that acknowledge prison labor. FreeCap has flagged this crucial difference in supply chains and will work to acknowledge it in our future industry analyses and scorecard.

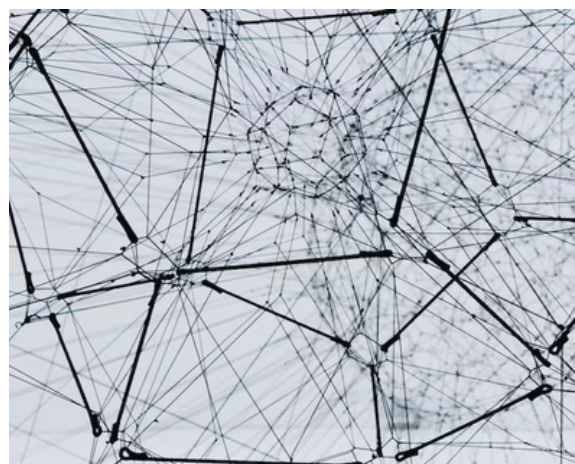
Methodology

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 academic research papers, news articles, and interviews with justice-involved individuals, we identified a set of key indicators to develop a scorecard with a nuanced perspective on corporate impact on mass incarceration.

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. Four metrics fall under the fair chance hiring group, and three under prison risk mitigation. To calculate a company's score and its positive relationship to justice-involved individuals, we weigh the following [seven 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.

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.

Our research to date covers over 3000 companies with our vending data and the entire S&P 500 with our full criminal justice data. All our data is sourced manually, with individuals verifying that the data is accurate and comes from a reputable source. Our data sources are regularly reviewed and validated to ensure their credibility.

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.

Rating Methodology

metric

definition

measurement

fair chance recruitment policy

Commitment to actively recruiting and hiring formerly incarcerated workers.

The company has a written policy or a public commitment to actively recruit formerly incarcerated workers, and a training program to create a pipeline of talent of justice-involved workers or an active recruitment process.

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 having a criminal record only disqualifies a candidate from a position if the prior offense is relevant to job function.

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.

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.

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.

fair chance hiring metrics

prison risk mitigation metrics

Data Hygiene Process



1. Data Collection and Sourcing: We source our data from public files, including but not limited to, public company disclosures, non-profit watchdog groups, and state comptroller websites. All of our data is sourced manually, with individuals verifying that the data is accurate and comes from a reputable source. Our data sources are regularly reviewed and validated to ensure their credibility.

2. Data Standardization and Validation: Raw data is subjected to a thorough cleansing processes to remove inconsistencies, duplicates, and inaccuracies. We use a proprietary custom made tool to source and validate all of our data. All non-vending data is submitted through the tool to ensure consistency and eliminate duplicates and inaccuracies. We require that all data points are submitted with notes explaining the reason for the submission as well as a direct link to the public source document. Analysts and reviewers use various techniques including cross-referencing with multiple sources, and logical consistency checks to ensure data accuracy.

3. Expert Review: All of our data is read by at least 2 people to ensure consistency and accuracy. Our team of domain experts reviews the data to identify potential errors or inconsistencies. Their expertise ensures a high level of data accuracy. All data submissions must be approved by a team supervisor, and the overall data is further reviewed during the analysis phase of the process for logical consistency and accuracy.

Methodology Updates

FreeCap Financial's Criminal Justice Scorecard was updated in 2022 to better capture our two points of interest: Fair Chance Hiring and Prison Risk Mitigation.

We've downscaled the number of metrics from ten to seven.

The three metrics we removed from our scorecard are Job Flexibility, Competitive Benefits, and Third-Party Verification.

The Job Flexibility metric was originally developed because justice-involved workers and people on parole require a flexible work schedule. It identified if companies offered part-time, flex-time schedules, and/or telecommuting options. However, this metric became difficult to capture after the COVID-19 pandemic. As soon as companies moved to fully remote work, this metric no longer measured for the population we were originally intending. Companies with strong work from home policies do not guarantee job flexibility for people on parole.

The Competitive Benefits metric was intended to measure the benefits formerly incarcerated people received through their employment and how a company supports them. However, the policies we found typically only applied to full-time, salaried employees. The justice-involved population typically work part-time, non-salaried positions after being released from prison, so these policies did not apply to them.

The Third-Party Verification metric was created to identify if companies use third-party audits to catch prison labor in their supply chain, and how they report their findings. However, prison risk mitigation practices are not as robust as we had hoped, and there is a lack of consistent company reporting on this topic. This metric proved difficult to measure since we could not find quality, consistent sources. We have since combined this metric with the Risk Management metric.

We've redefined and rescaled two metrics.

As we have familiarized ourselves with company policy language and how companies report data, we have changed our scoring criteria. The Fair Chance Recruitment Policy and Best Hiring Practices metrics have been modified to reflect that. We have also changed the maximum raw score for these two metrics.

Our Fair Chance Hiring Best Practices metric has evolved in the past year to place greater emphasis on the actions a company is taking regarding second chance hiring rather than their public commitments to it, as these often lack accountability.

In 2021, 24 companies in the S&P 100 received a perfect score for this metric. However now, only 19 companies did, with just 12 scoring so highly in both years. As the ESG space and reporting standards change, our scoring methodology must also be updated to redefine “best practices”.

Previously, companies would receive a full score if they were a part of a well-known fair chance hiring initiative, such as the White House Fair Chance Business Pledge, the Second Chance Business Coalition, or Ban the Box. However, companies may join without having any existing fair chance hiring policies in place, or any intention of developing them. There is no prerequisite to sign onto these initiatives and no accountability as to whether companies have followed through with their commitments.

We’ve made the metric more meaningful by restructuring it to focus on a company’s background check policy and how it’s used in the hiring process. If a company is a part of a fair chance hiring initiative, it is now instead reflected in the Fair Chance Recruitment Policy score.

Since researching companies through this new lens, less companies have received full scores. However, this is not a regression in progress towards fair chance hiring.

Rather, FreeCap has set higher standards with this redefined metric, letting corporations know that this is what fair chance hiring looks like in practice.

For example, although FedEx Corporation did not sign onto any fair chance hiring pledge, the company publicly states that background checks are conducted after an offer of employment has been made. They go on to explain that criminal records do not automatically disqualify an applicant from employment, and records are considered based on factors such as the relationship between the job and the criminal offense, the nature of the offense, and other relevant information.

FreeCap believes the actions this company has taken towards fair chance hiring should be ranked highly, and our updated scoring methodology reflects that. The company received full points for the Best Hiring Practices metric, and partial points for the Recruitment Policy metric.

Case Study:

Meta

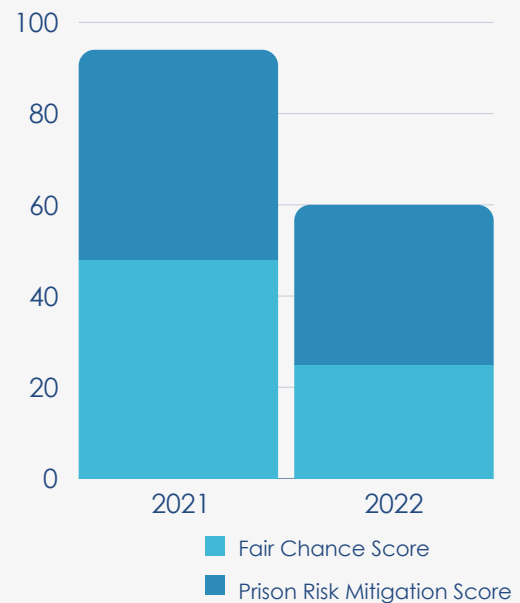
Meta's score dropped dramatically between 2021 and 2022 due to changes in our scoring methodology, and a lack of company policy updates.

This communications company helps explain how FreeCap's methodology has changed and affected scores. The company scored a total of 94 out of 100 points in 2021, but only 60 out of 100 in 2022.

Due to the removal of the Competitive Benefits, Job Flexibility, and Third-Party Verification metric, the remaining metrics are weighed more heavily. Meta, previously named Facebook, received partial points for these three metrics in 2021.

Since we have redefined the Fair Chance metrics, the company did not receive full points for them in FreeCap's newest dataset. The company's policy states, "We also consider qualified applicants with criminal histories, consistent with applicable federal, state and local law." However, the company does not have a program in place to actively recruit formerly incarcerated workers.

FIGURE 11: META'S TOTAL SCORE BY YEAR



Furthermore, it is unclear when the company conducts background checks in the hiring process, and what level of consideration these checks are given.

Meta has demonstrated a commitment to diversity by disclosing employee demographics. The company publishes an EEO-1 report every year, which lists the number of employees broken down by gender, race, ethnicity, across job categories.

Regarding prison risk metrics, we now require more specific language to receive full points, and Meta does not explicitly ban all forms of prison labor in their supplier code of conduct.

Industry Charts

Industry Charts

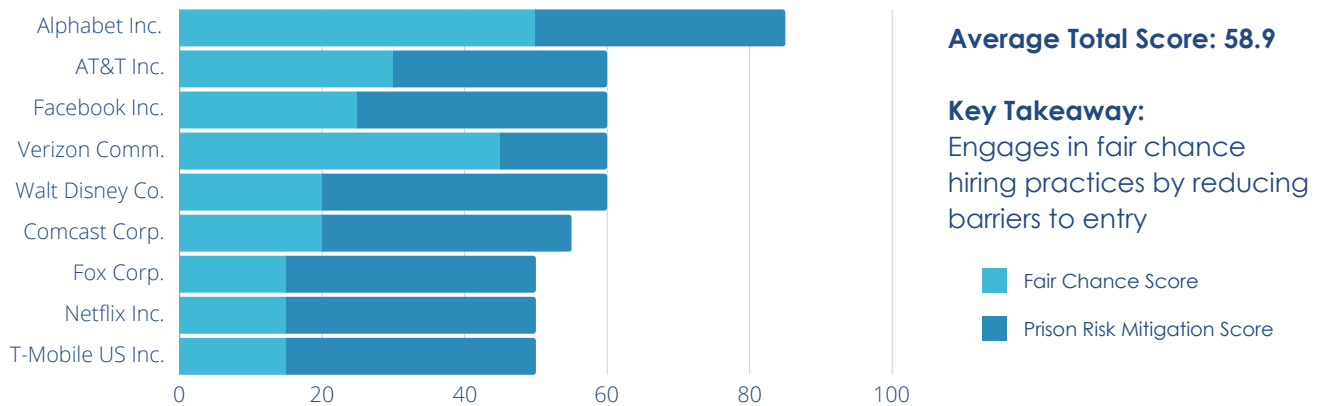
Below are bar charts of each industry in the S&P 100 and the companies pertaining to it. There are 12 different industries represented in the dataset with a combined total of 105 companies.

Materials, Real Estate, and Utilities have no more than three companies in each industry, so these three industries have been aggregated into one bar chart.



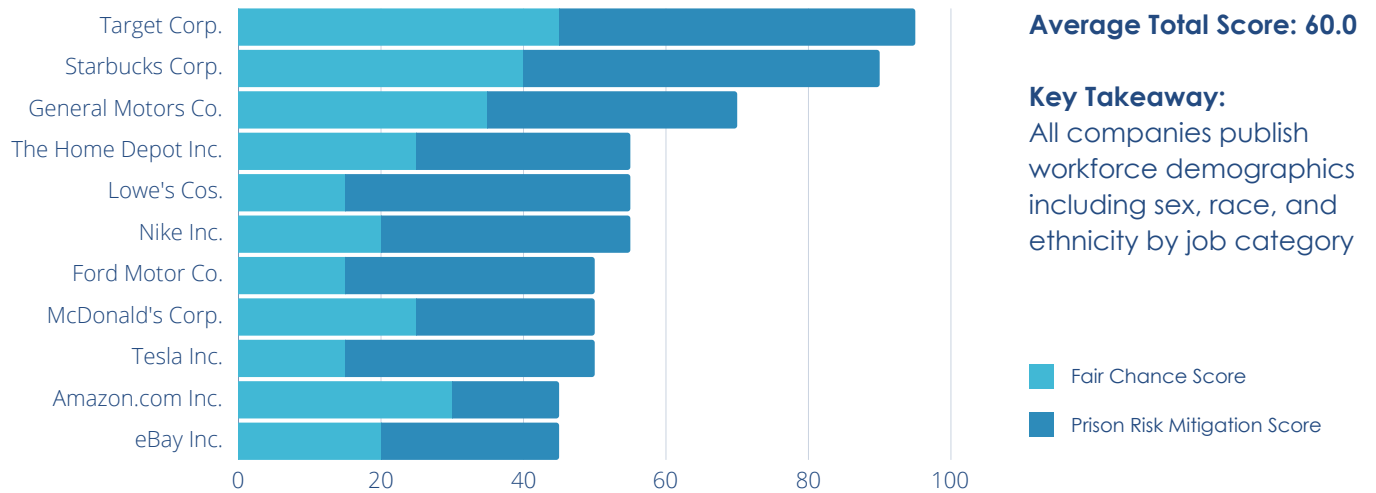
Communications

FIGURE 12: COMMUNICATIONS INDUSTRY RATINGS



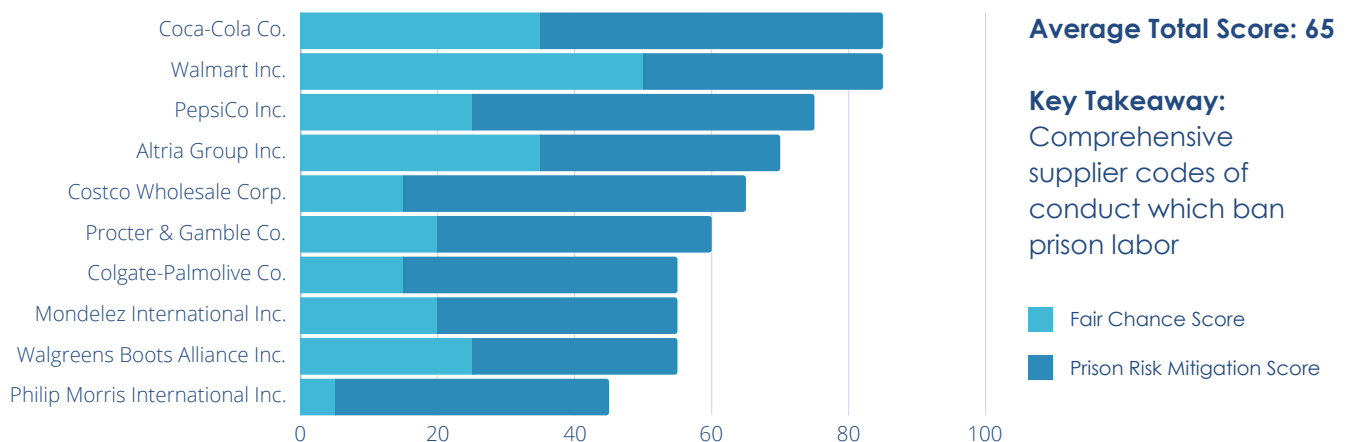
Consumer Discretionary

FIGURE 13: CONSUMER DISCRETIONARY INDUSTRY RATINGS



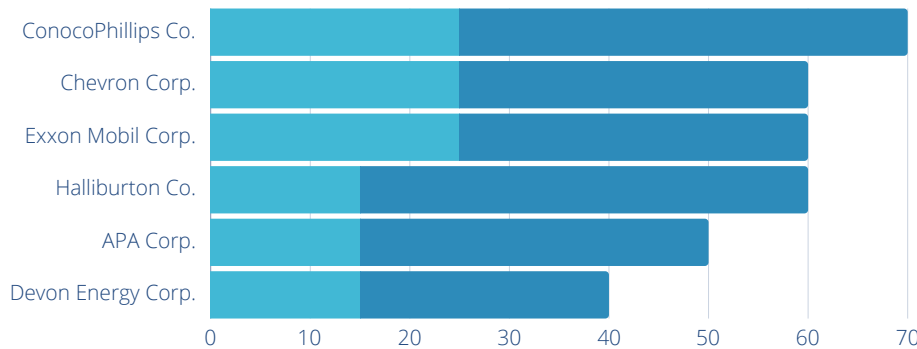
Consumer Staples

FIGURE 14: CONSUMER STAPLES INDUSTRY RATINGS



Energy

FIGURE 15: ENERGY INDUSTRY RATINGS



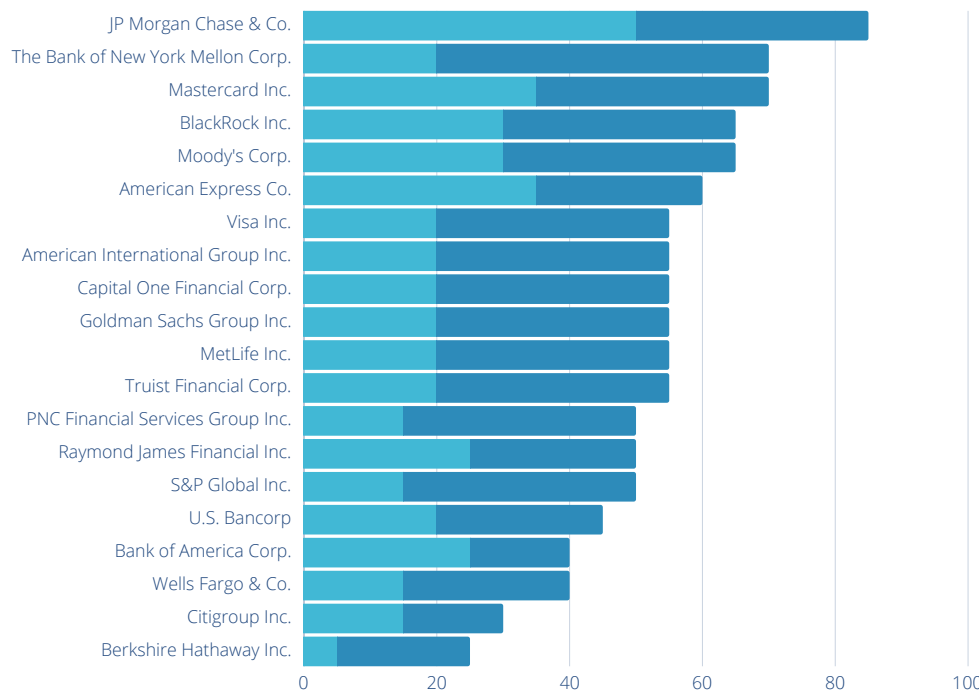
Average Total Score: 56.7

Key Takeaway:
No significant vending contracts with prisons

■ Fair Chance Score
■ Prison Risk Mitigation Score

Financial Services

FIGURE 16: FINANCIAL SERVICES INDUSTRY RATINGS



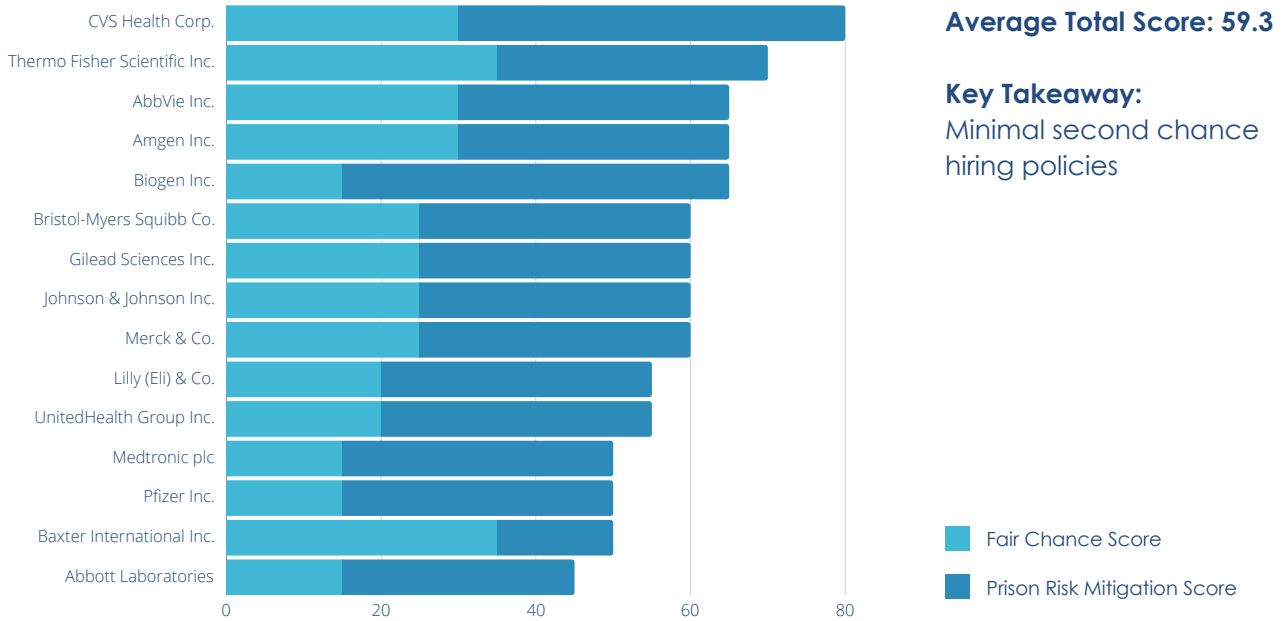
Average Total Score: 53.8

Key Takeaway:
Strong engagement in corporate social responsibility work related to mass incarceration

■ Fair Chance Score
■ Prison Risk Mitigation Score

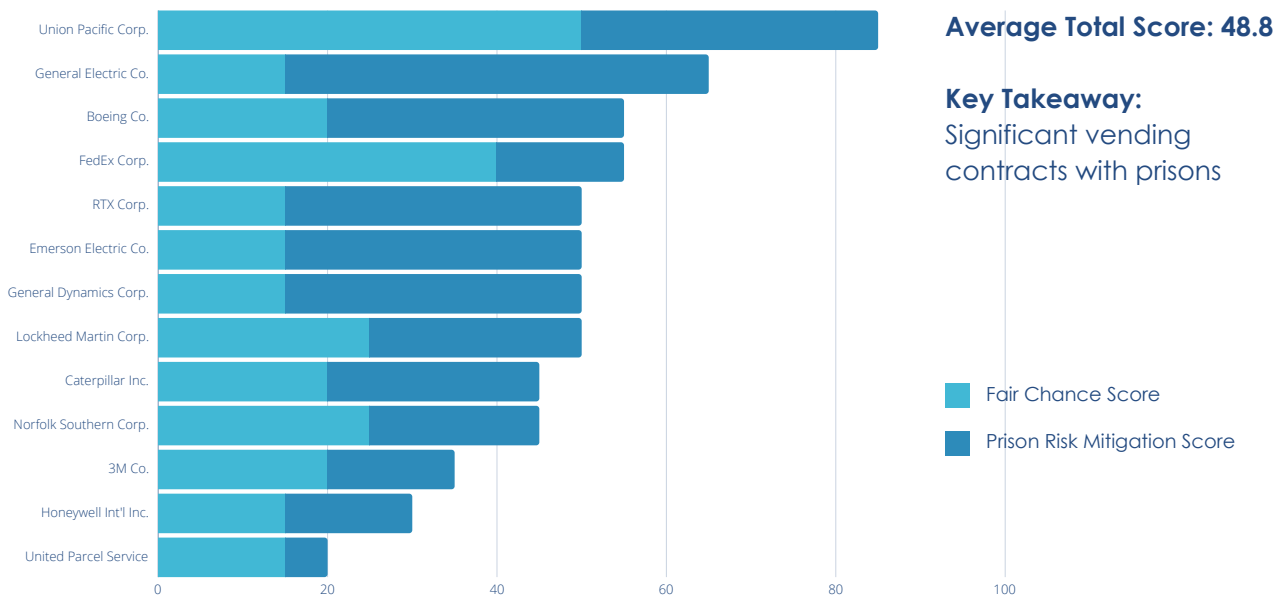
Healthcare

FIGURE 17: HEALTHCARE INDUSTRY RATINGS



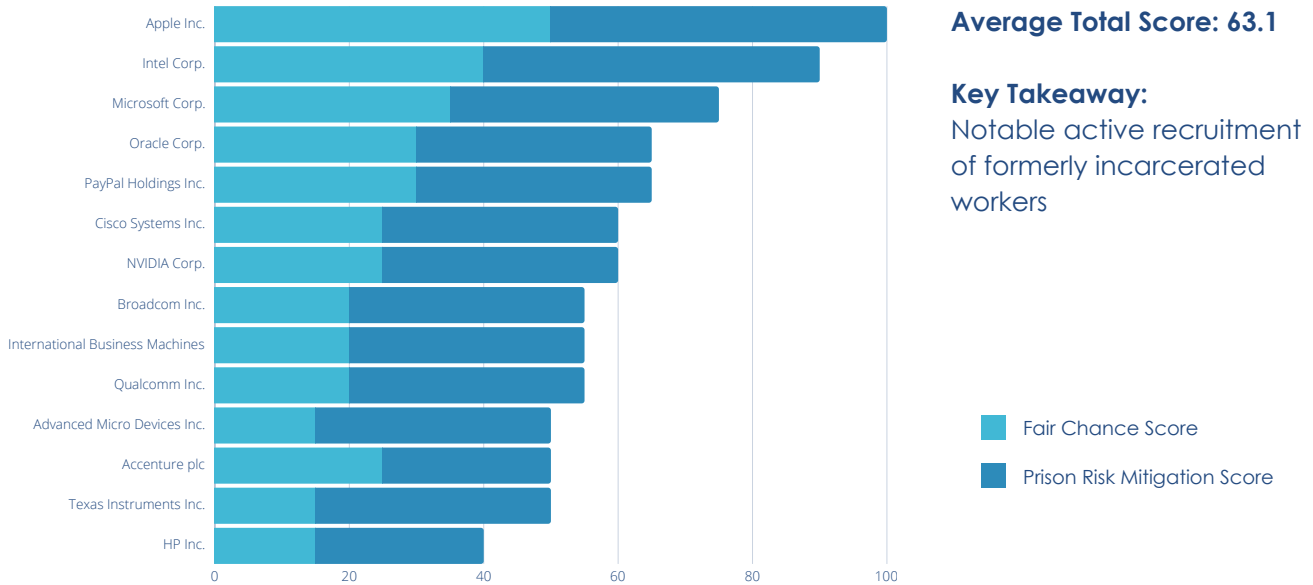
Industrials

FIGURE 18: INDUSTRIALS INDUSTRY RATINGS



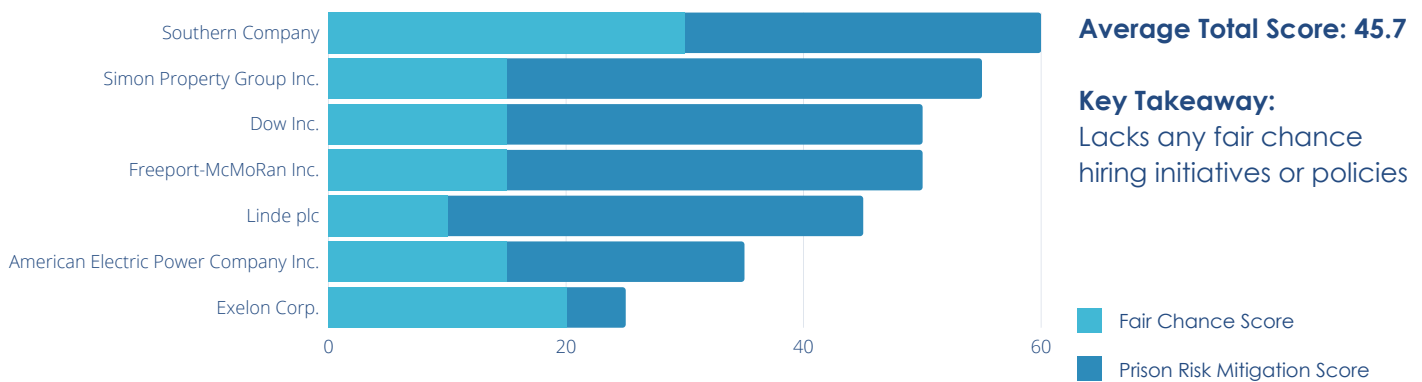
Information Technology

FIGURE 19: INFORMATION TECHNOLOGY INDUSTRY RATINGS



Materials, Real Estate, & Utilities

FIGURE 20: MATERIALS, REAL ESTATE, & UTILITIES INDUSTRY RATINGS



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