

General Methodology Statement
Corporate Racial Equity Score
Developed by Reparations Finance Lab (RFL)

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Objective & Project Genesis

The objective of the Corporate Racial Equity Score is to provide a generalized directional framework for the measurement, or quantifications, of harms inflicted by corporate activity in the United States that impacts the wealth and wellness of African Americans.

The corporate Racial Equity Score is the result of co-creation with a strategic philanthropy partner who maintains racial equity as a core pillar of its impact investment theory of change (TOC). The philanthropy organization is committed to leading from the front and delivering best-in-class impact assessment across its directly held and third-party managed endowment assets. In late 2024, after eager acceptance and peer review, a challenge and opportunity emerged from this co-creation: to make the score widely and dynamically available to support more intelligent equity-centered decisionmaking across the investment lifecycle.

Defining Harm and Repair

Disparate impact refers to policies or capital allocation decisions that result in significantly greater negative effects on Black Americans compared to White Americans, even without explicit intent to discriminate. For example, tax policies or environmental permitting practices may disproportionately harm Black communities by increasing their exposure to pollution or limiting their opportunities for wealth accumulation, thereby perpetuating racial disparities in health, income, and economic mobility. This concept recognizes that systemic inequalities can arise from seemingly impartial rules and decisions, leading to unequal burdens and outcomes along racial lines.

A broader definition of racial equity is reparations, which can include the creation of activities that generate repair for harmed communities. Repair in this context can be quantitatively defined as policies that remediate harm. While not complete or expansive, a simplistic definition of harm can be the differential gap between Black and White communities in key indicators of wellness and wealth.

Analytical Lens

The Global Industry Classification Standard (GICS), a broadly adopted economic classification taxonomy, provides a critical framework for analyzing firms by grouping them into sectors based on shared economic drivers, regulatory environments, and market behaviors. This taxonomy enables investors to analyze industries with similar economic models, lifecycle activities and capital investment profiles. By categorizing companies into 11 sectors and 25 child industry groups, GICS offers the necessary granularity and global consistency.

GICS Sector	% of Market Cap	Largest Industry by Weight
Information Technology	33.3%	Software & IT Services
Financials	13.3%	Diversified Banks
Health Care	10.2%	Pharmaceuticals
Consumer Discretionary	11.4%	Internet & Direct Marketing Retail
Communication Services	9.5%	Interactive Media & Services
Industrials	7.5%	Aerospace & Defense
Consumer Staples	5.3%	Household Products
Energy	3.3%	Oil, Gas & Consumable Fuels
Utilities	2.6%	Electric Utilities
Real Estate	2.1%	Specialized REITs
Materials	1.9%	Chemicals

A Governing Framework: WHO Social Determinants of Health (SDH)

The Social Determinants of Health (SDH) framework was developed by the World Health Organization (WHO) of categorical non-medical factors and conditions in which individuals are born, grow, live, work, and age, as well as the broader societal systems that shape these conditions and influence health outcomes and wealth disparities.

The framework provides a systematic way to analyze how policies and capital allocation decisions shape health outcomes and economic stability across populations. The framework organizes key influences into five interconnected domains: **Economic Stability**, **Education Access and Quality**, **Health Care Access and Quality**, **Neighborhood and Built Environment**, and **Social and Community Context**. Each domain interacts to create conditions that either enable or constrain an individual's ability to achieve health and financial security. The framework contextualizes health and wealth as products of systemic design—not individual choice, and provides a robust lens to understand the full range of critical inputs to an individual's wealth and wellness.

This evidence-based and rigorously peer-reviewed approach is the selected evaluation framework within which the harms (e.g., disparate impacts) of corporate activity are evaluated.

The SDH framework, with categories and associated individual indicators, is shown below:

Economic Stability	Neighborhood & Physical Environment	Education	Food	Community, Safety & Social Context	Healthcare Access
Employment	Housing	Literacy	Food Security	Social Integration	Health Coverage
Income	Transportation	Language	Access to Healthy Options	Support Systems	Provider & Pharmacy Availability
Expenses	Parks	Early Childhood		Community Engagement	Access to Linguistically and Culturally Appropriate Care
Debt	Playgrounds	Education		Stress	Quality of Care
Medical Bills	Walkability	Vocational Training		Exposure to Violence / Trauma	
Support		Higher Education		Policing / Justice Policy	

Corporate Racial Equity Scoring Methodology

A group of interdisciplinary domain experts in the areas of sociology, economics, and African-American studies reviewed each GICS industry and its core lifecycle attributes including **internal enterprise operations, product/service distribution, product/service pricing, product/service consumption, and product/service externalities**. Based on this evaluation, a mapping table was created for each SDH framework category and variable based on materiality¹.

Each SDH category variable (e.g. Economic Stability -> Debt) is then assessed for its disparate impact. The disparate impact is tagged with one or more harm types. This expansive typology architecture is outlined below.

Harm Category	Harm Creation Relationship	Definition
Discriminatory Behavior - Product Development / Pre-Sales Targeting	Direct	Intentional design or marketing of products/services to exploit or disproportionately harm Black populations.
Discriminatory Harm Exposure - Product/Service Externalities	Direct	Disproportionate exposure to harmful byproducts of production (e.g., pollution, waste) due to facility siting near Black communities.
Discriminatory Behavior - Product/Service Price or Unit Cost	Direct	Systemic overpricing or predatory pricing of goods and/or services for Black consumers.
Disparate Impact - Business Operations / Strategy	Direct	Policies or practices that inadvertently disadvantage Black populations (e.g., layoffs, automation) or conscious/unconscious internal policies/procedures.
Disparate Access - Product/Service Quality	Direct	Inequitable access to high or higher quality versions of critical goods/services.
Disparate Access - Product Service Access and/or Proximity	Direct	Geographic or systemic barriers limiting physical access to essential goods/services
Harm Facilitation - Multi-Factor Factor (Product/Service Price or Unit Cost)	Indirect	Secondary harms arising from interconnected systemic inequities (e.g., housing + utilities+telecommunications)
Harm Facilitation - Single Factor (Product/Service Price or Unit Cost)	Indirect	Secondary harms surfaced via a single, primary consumption factor (e.g., housing).
Direct Harm Externality Amplification (Discriminatory Harm Exposure - Product/Service Externalities)	Indirect	Compounding of harm due to systemic failures in other sectors (e.g., healthcare).

¹ For the purposes of this exercise, materiality is defined as >5 scholarly or deeply researched output evaluating economic sector activities and the category variable.

That disparate impact is described and then evaluated against the four (4) key dimensions of harm, which are described in detail below.

An important note related to the existence of indirect harms. For the purposes of this exercise, these are defined as harms which are surfaced via a single factor or multiple factors. Examples of these scenarios can be found in Appendix 2. These factors are not directly attributable to the outputs of corporate activity that are being evaluated so are subjected to a standard discount factor in the Corporate Racial Equity Score calculation, which is described in further detail below (section: *“Corporate Racial Equity Score Scoring Calculation”*).

Corporate Racial Equity Score Components

The core score is composed of four (4) variables. These variables capture different dimensions of disparate impact. The four variables are listed below.

- **Variable 1: Harm (Disparate Impact) Depth:** Measure the intensity or magnitude of disparate impact of industry and its key subcomponents on African American population(s) in the United States.
- **Variable 2: Harm (Disparate Impact) Width or Coverage:** Measure the cohort or population-level reach of the harm across and within the universe of African Americans in the United States
- **Variable 3: Harm (Disparate Impact) Direction:** Detect the directional change in intensity of the disparate impact [harm] to the African American population(s) over the past 5 years
- **Variable 4: Harm (Disparate Impact) Duration:** Measure the length of time that the disparate impact [harm] has been perpetrated onto African American population(s) by corporate activities and outputs.

While harm depth or magnitude is foundational to our evaluation of disparate impact, the incremental variables, direction, width and depth, provide additional granularity and strategic insight into the all-in, embodied harm created.

Harm Magnitude (Depth) Criteria Evaluation Description

Lower Harm (Score = 3.00): Activities with lower material impacts (non or low determinative) of wellbeing / health outcomes in the Black community (e.g., mortality, morbidity) and/or wealth accumulation.

Example of Harm Level (Magnitude) - Lower: Known hiring bias or racial profiling

Medium Harm (Score = 2.00): Discriminatory manifestations that have semi-determinative of wellbeing / health outcomes in the Black community (e.g., mortality, morbidity) and/or wealth accumulation

Example of Harm Level (Magnitude) - Medium: Lack of access to green space of lower access to fresh food grocery stores

High Harm (Score = 1.00): Discriminatory manifestations that are highly determinative of wellbeing / health outcomes in the Black community (e.g., mortality, morbidity) and/or wealth accumulation.

Example of Harm Level (Magnitude) - High: Proximity to toxin or carcinogenic materials

Harm Population Coverage (Width) Criteria Evaluation Description

Lower Coverage: (Score = 3.00): *Highly Local (Internal) Groups:* Known disparity to highly localized subgroups or internal business/ enterprise dynamics.

Example of Population Impact - Lower: Harm on local or internal groups; For example, discriminatory or biased hiring practices with firms or sectors

Medium Coverage (Score = 2.00): *Regional or Co-Variant locations:* Impact known to be focused on regional geography, characteristics present across multiple regions; or manifested across key sub-population or grouping within the Black community

Example of Population Impact - Medium: Climate phenomena specifically impacting a single region with a high Black population

High Coverage (Score = 1.00) *National / Universal Coverage:* Impact is not limited to a regional geography or population subgroup

Example of Population Impact - High: Predatory lending practices identified in multiple

large cities and regions across the United States without other covariances.

Harm Prevalence (Direction) Criteria Evaluation Description

Higher Improvement: (Score = 3.00): Identified harm has shown measurable improvement in 1 or more standardized metrics of wellness or wealth associated with harm typology within the last 5 calendar years (2019-2025)

Example of Higher Improvement: *Improvement in key chronic illness prevalence:* Decrease in spread of metric “Asthma incidence/diagnosis” between Blacks and white communities in the United States.

Medium (Neutral) Improvement: (Score = 2.00): Persistence / Stability: Lack of measurable improvement in 1 more standardized metric of wellness or wealth associated with harm typology within the last 5 calendar years (2019-2025) *and/or* the identification of research demonstrating both progress and persistence of a harm vector.

Example of Medium (Neutral) Improvement: Stable spread in menthol cigarette consumption spread between Black and white communities despite the emergence of national regulatory oversight on exploitative product targeting.

Low Improvement (Worsening) (Score = 1.00): Identified harm has shown measurable deterioration or worsening in 1 or more standardized metrics of wellness or wealth associated with harm typology within the last 5 calendar years (2019-2025).

Example of Low Improvement (Worsening): Increase in the volume of “Fair Housing Act” violations year over year in the United States.

Harm Duration Criteria Evaluation Description

Lower Activity Duration (Score = 3.00): A firm that belongs to a sector that meets the following criteria: Oldest Firm within Sector Age: <75 years, Average Firm Age: <25 years, Core Economic Activity Duration: <75 years

Example of Lower Duration Sector: Technology Sector where the sector’s oldest listed company is <75, the average age of all sector companies is <25, and the sector’s core economic activity age is <75 years.

Medium Activity Duration (Score = 2.00): A firm that belongs to a sector that meets the following criteria: Oldest Firm within Sector Age: 75<>150 years, Average Firm Age: 25<>50 years, Core Economic Activity Duration: 75<>150 years

Example of Medium Duration Sector: Consumer Discretionary where the sector's oldest listed company is 75<>150 years, the average age of all sector companies is 25<>50 years, and the sector's core economic activity age is 75<>150 years.

High Activity Duration (Score = 1.00): A firm that belongs to a sector that meets the following criteria: Oldest Firm within Sector Age: >150 years, Average Firm Age: >50 years, Core Economic Activity Duration: >150 years

Example of High Activity Duration: Financials sector where the sector's oldest listed company >150 years, the average age of all sector companies is >50 years and sector's core economic activity age is >150 years.

Corporate Racial Equity Score Scoring Calculation

Each variable is scored on a scale of one (1.00) to three (3.00). A 1.00–3.00 scoring scale offers a simple and elegant way to evaluate each component as it allows for clear distinction between performance levels. The four (4) component scores detailed above are combined into a composite score, the result is a single summary value that reflects overall performance across all measured areas. This composite score succinctly represents the aggregate of the individual evaluations, making it straightforward to compare, rank, or track changes over time.

The lowest raw score (most harm or disparate impact) available for a variable is 1.00, while the highest score (lowest harm or disparate impact) is 3.00. Each score level has a definition that is quantified as much as possible. In all cases, a best effort is made to map a corporate activity, or harm, to the closest corresponding value.

A critical note relates to the harm magnitude (depth) variable. Given that two harm types are indirect, or not directly attributable to a sector-level output or activity, a discount factor of 0.50 (50%) is assigned to the harm magnitude score associated with harm types that are

of an indirect nature. For example for indirect harm types, a raw score of 1.00 becomes 1.50, while a raw score of 2.00 becomes 3.00.

As a result, the lowest final composite harm-level score is 13.50 ($3.00 \times 1.5 \times 3.0 \times 3.0 \times 3.0$), while the highest score is harm level score is 6.00 ($1.0 \times 1.0 \times 1.0 \times 1.0$).

The highest performing sector (e.g., proxy for a stock) in terms of identified harm vectors in “Farm Credit Bonds” with 5, while the lowest performing sector in terms of identified harm vectors is materials with 13.

However the scoring of the records matters greatly as these are not the best and worst performing all-in sector scores. Information Technology (weighted mean = 8.889, Min/Max normalized value = 100) is the highest scoring (least harmful) sector while Financials is the worst scoring (most harmful) sector (5.292, Min/Max normalized value = 1.00) when the all-in score is taken into consideration.

Appendix 1: Social Determinants of Health (SDH) Variable Definitions

Below are the definitions of SDH component variables that were used to evaluate an economic sector's typical lifecycle activity and their impacts on Black Americans.

Economic Stability

Determinant Category	Determinant Variable	Determinant Definition vis-a-vis Human Impact
Economic Stability	Employment	Access to stable jobs with fair wages, benefits, and safe working conditions.
Economic Stability	Income	The amount of money earned or received that determines purchasing power for necessities and healthcare.
Economic Stability	Expenses	Regular costs for housing, food, utilities, and other essentials that impact available resources for health.
Economic Stability	Debt	Financial obligations that can create stress and limit resources available for health-promoting activities.
Economic Stability	Medical Bills Support	Assistance programs or resources to help manage healthcare costs and prevent financial hardship.

Neighborhood & Physical Environment

Determinant Category	Determinant Variable	Determinant Definition vis-a-vis Human Impact
Neighborhood & Physical Environment	Housing	Quality, stability, safety, and affordability of living accommodations.
Neighborhood & Physical Environment	Transportation	Access to reliable, affordable, and safe options for mobility.

Neighborhood & Physical Environment	Safety	Freedom from violence, crime, and environmental hazards in one's surroundings.
Neighborhood & Physical Environment	Parks / Playgrounds / Walkability	Access to green spaces and recreational areas that promote physical activity and well-being; safe spaces for children to engage in physical activity and social development; design of communities that enables safe pedestrian movement and physical activity.
Neighborhood & Physical Environment	Zip Code / Geography	Location-based factors that influence health outcomes and access to resources.

Education

Determinant Category	Determinant Variable	Determinant Definition vis-a-vis Human Impact
Education	Literacy	Ability to read, write, and comprehend information necessary for health management.
Education	Language	Communication capabilities that affect interactions with healthcare systems and providers
Education	Early Childhood Education	Foundational learning experiences that shape cognitive and social development.
Education	Vocational Training	Skills-based education that influences employment opportunities and income potential.
Education	Higher Education:	Advanced learning that affects career options, income, and health literacy.

Food

Determinant Category	Determinant Variable	Determinant Definition vis-a-vis Human Impact
Food	Hunger	The state of food insecurity that impacts physical and mental well-being.
Food	Access to Healthy Options	Availability and affordability of nutritious foods in one's community.

Community, Safety & Social Context

Determinant Category	Determinant Variable	Determinant Definition vis-a-vis Human Impact
Community, Safety & Social Context	Social Integration	Inclusion in community networks and relationships that provide support
Community, Safety & Social Context	Support Systems	Formal and informal networks that offer assistance during times of need.
Community, Safety & Social Context	Community Engagement	Participation in collective activities that build social capital and influence health.
Community, Safety & Social Context	Discrimination/Stress:	Experiences of unfair treatment and resulting psychological strain that impact health.

Healthcare Access

Determinant Category	Determinant Variable	Determinant Definition vis-a-vis Human Impact
Healthcare System	Health Coverage	Insurance or programs that provide financial protection for healthcare services.
Healthcare System	Provider Availability	Access to healthcare professionals and facilities within reasonable proximity.
Healthcare System	Provider Linguistics and Cultural Competency	Healthcare delivery that respects and responds to diverse needs and preferences.
Healthcare System	Quality of Care	The effectiveness, safety, and patient-centeredness of healthcare services

Appendix 2: Harm Typology with Scenario Examples

Discriminatory Behavior - Product Development / Pre-Sales Targeting	Direct	Consumer Discretionary	Economic Stability -> Expenses	NA	Proven existence of targeted and predatory marketing tactics that drive disproportionate consumption and overspending; often focused on liquor and cigarettes, which are correlated with higher rates of morbidity and mortality vs. general population.
Discriminatory Harm Exposure - Product/Service Externalities	Direct	Energy	Neighborhood & Physical Environment -> Zip Code / Community	NA	Proven existence of disproportionately higher exposure to air pollution from hydrocarbon generating facilities like refineries, power plants, and natural gas infrastructure located near black neighborhoods, which is correlated to higher rates of morbidity and mortality vs. general population.
Discriminatory Behavior - Product/Service Price or Unit Cost	Direct	Financial Services	Economic Stability -> Expenses	NA	Proven existence of higher cost financial services products like mortgages for residential real estate; which is correlated with higher non-discretionary spending and lower wealth accumulation levels.
Disparate Impact - Business Operations / Strategy	Direct	Industrials	Economic Stability -> Income	NA	Proven disparate impact on employment and incomes on Black workers in offshoring and other de-industrialization processes.
Disparate Access - Product/Service Quality*	Direct	Telecommunications	Community, Safety & Social Context -> Community Engagement	NA	Proven existence of a 'digital divide' for broadband internet and associated services lowering access to key digital tools and resources ; leads to weaker educational and workforce outcomes which lead to lower income levels and wealth accumulation potential.
Disparate Access - Product Service Access and/or Proximity	Direct	Consumer Staples	Food -> Access to Healthy Options	NA	Proven existence of fresh food 'deserts' where there is the absence of lower cost fresh food staples - particularly fruits and vegetables, which is correlated to higher rates of morbidity vs. general population.
Harm Facilitation - Multi-Factor Factor (Product/Service Price or Unit Cost)	Indirect	Industrial	Community Engagement -> Community and Social Context	Financial Services, Healthcare, Telecommunications	Black communities often lack representation or engagement in decision-making processes regarding the siting of industrial plants or environmental regulations. Exclusion limits their ability to advocate for safer environments
Harm Facilitation - Single Factor (Product/Service Price or Unit Cost)	Indirect	Utilities	Economic Stability -> Expenses	Real Estate	Higher utility costs experienced via the interface of lower quality housing.
Direct Harm Amplification (Discriminatory Harm Exposure - Product/Service Externalities)	Indirect	Industrials	Healthcare Access -> Quality of Care	Healthcare	Systemic inequities in healthcare access mean that Black individuals exposed to industrial pollution may receive inadequate treatment for illnesses like cancer or respiratory diseases. Studies show that racial bias within healthcare systems contributes to poorer outcomes for Black patients.