Social Responsibility in the Cannabis Industry

Sponsored By:

Cage-Free Repair

Quantifying social equity initatives and business practices.

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Case Study Companies

710 Labs
Aurora
Canopy Growth
Charlotte's Web Holdings
Cookies
Cresco Labs Inc.
Curaleaf
Dro
Green Thumb Industries
Greenlane
Hexo Corp
High Tide Inc
Hyman Life
Innovative Industrial Properties Inc
Jushi Holdings Inc
Organigram
The Green Organic Dutchman
The Parent Company
Tilray
Trulieve

Cage-Free Repair

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Foreword

We formed Cage-Free Repair to advocate for a cannabis industry rooted in equity, justice, and repairing the harms done to communities and individuals by the War on Drugs. The "green rush" has resulted in what many advocates for retributive justice and social equity have long predicted: a windfall for well-resourced White people who have never been affected by our criminal justice system (See Appendix A).

The transition to a regulated cannabis industry must account for the harms of prohibition, which are not in the past. They are present. As we know from our work on National Expungement Week, convictions cause thousands of collateral consequences that can restrict one's access to housing, education, employment, voting, banking, and other basic services – the very activities that would allow someone to build the wealth needed to enter the regulated cannabis industry.

In 2020, after the murder of George Floyd, we saw many well-funded cannabis companies ostensibly embracing equitable practices, donating money, featuring Black, Indigenous, and People of Color (BIPOC) faces in advertising, and creating positions within their companies to focus on diversity, equity and inclusion. Since then we have seen these positions eliminated, departments shut down, and a general lack of support and funding for reparative efforts.

Instead we see concealed ownership of companies, the exploitation of social equity applicants through partnerships, and the corruption of local and state politicians. All of these factors add up to a consistent failure to benefit people who have been harmed by the War on Drugs. After all, many thousands of people are still arrested for cannabis offenses in the U.S. every year, while shares of cannabis companies are now traded on stock exchanges in New York and Toronto, and alcohol, tobacco, and pharmaceutical companies have already the entered the industry.

The term "social equity" in cannabis has a specific origin story, powered by grassroots organizers in Oakland, CA, who fought to ensure that people harmed by cannabis prohibition would benefit from the emerging regulated industry. Unfortunately "social equity" has been elasticized to the point of meaninglessness. Companies will use the term to elevate any good deed they do.

In 2021, we engaged Cameron Gaskin and Justice Wahid Cotton, two researchers under the supervision of Dr. Frederick Gooding of Texas Christian University, to evaluate the behavior of some of the largest cannabis companies operating in North America. The goal of this report is to create standards by which to judge these companies, set baselines of their behavior, and provide a resource for cannabis consumers.

We want to see companies embrace and implement equity, justice, and repair in their supply chain, their workforce, and most importantly, their ownership and distribution of profits. This report should mark the beginning of a comprehensive and consistent monitoring of the corporate cannabis industry, and we welcome your feedback and partnership in that work.

- The Cage-Free Advisory Board

Cage-Free Repair is a fiscally-sponsored project of Social Good Fund.

We are rooted in 3 kinds of justice: Reparative, Economic, & Environmental

Our Purpose

The War on Drugs has disproportionately harmed communities of color. People have lost jobs, education, housing, their liberty, their families, and their lives to this War.

Now they deserve equity, justice, and repair: ownership of cannabis businesses, full and automatic expungement, and community reinvestment of tax revenue and corporate philanthropy.

The Cage-Free organizations help cannabis companies, patients, and consumers engage with this work.

Photo by:
Paolo Jara-Riveros

Introduction

We researched 20 cannabis companies to examine their publicly stated social responsibility initiatives. Using a rubric that we developed in the course of our research, we gave each company a preliminary score. These scores are preliminary because we are limited in the amount of investigation and verification we can do. We acknowledge (and hope) that there may be instances in which a company has an undisclosed socially equitable business practice, or one that we missed in our research. We will further refine our data as we continue to monitor the industry.

Our research has already revealed several trends and patterns in corporate behavior. As in most industries, cannabis companies exist on a spectrum, but the contradictory legal status of the plant itself creates some unusual complexities. The patchwork of state policies across the US means that the structure and strategy of a company in one state may be different than its structure and strategy in another. Typically, the multi-state companies consist of interlocking sub-companies, DBA's (i.e., "doing business as"), and joint venture agreements.

In this report, our score is used to quantify the impact of a cannabis company's "socially equitable" behavior, in the context of the preceding 100+ years of cannabis prohibition. We developed these metrics based on the "social exchange theory," and based our scoring on the principles of distributive and retributive justice.

Distributive justice emphasizes fair and equitable allocation of goods, resources, and revenues in future interactions. **Retributive justice** focuses on correcting a wrong in the past with current resources. We define an initiative or business practice as socially equitable if it promotes and/or ensures distributive and/or retributive justice.

Equity Score

Our equity score is composed of 10 different metrics, measured on a scale of -1 to 3.

-1	The company is actively working *against* this.
0	No evidence of the company accomplishing this.
1	There is evidence of the company *partially* accomplishing this.
2	There is evidence of the company *mostly* accomplishing this.
3	There is great evidence of the company *entirely* accomplishing this.

Metrics

The following 10 metrics are the fundamental pieces of a cannabis company's social responsibility.

Ownership
Diversified ownership of cannabis companies is one of the most obvious and direct ways to include those who were affected by the War on Drugs in the cannabis industry.

Hiring the Formerly Incarcerated
The War on Drugs has put millions of people in jails and prisons, which is why it is important that companies make a focused effort to hire them.

Investing in BIPOC-owned Businesses
Large companies have the benefit of access to a large amount of capital. To address the ills of the War on Drugs, companies should be using their capital to invest in cannabis businesses owned by members of BIPOC communities.

Stated Social Responsibility Program
It is important that companies put their social responsibility plans into writing so that the public can be made aware of the work that they do, and so that the companies can be held accountable.

Support for Expungement (Record Clearance)
Convictions carry a lasting effect on the individuals charged, as well as their communities. Expungement and other forms of record clearance is an important part of addressing the roadblocks that may arise from having had contact with the justice system.

Career Development
Ensuring that cannabis companies are using their resources to guide people into lasting careers in the industry.

Diversity of Supply Chain
We examined whether or not a company's supply chain contains companies with diverse ownership and/or owners that have been impacted by the War on Drugs.

Community Input
We researched whether companies are engaging equitably with the communities in which they are located. As a business owner in a community, you should care about your community.

Job Training
Training those affected by the War on Drugs to find and land jobs in the cannabis industry is one of the easiest ways for a company to give back.

Job Creation and Advancement
This metric looks at whether or not companies are investing in the creation of jobs for communities affected by the War on Drugs. Often those jobs are menial, part-time, and/or short-term, so a path for tangible material gain is necessary to score well.

> "This industry gets an F."
>
> - Cristina Buccola (CB Counsel PLLC) on diversity, equity, and inclusion in the cannabis industry.

Industry Overview

We do not see many robust programs that seek to address the harm done by the War on Drugs and its negative impact on communities of color. It seems that, instead of addressing the problems brought about by the War on Drugs and establishing equitable practices, companies have instead chosen to partner with Black and Brown faces for the benefit of public relations.

METRIC	INDUSTRY MEAN SCORE
Ownership	1.1
Hiring the Formerly Incarcerated	0.5
Investing in BIPOC-owned Business	0.8
Stated Social Responsibility Program	0.9
Support for Expungement	1
Career Development	0.5
Diversity of Supply Chain	0.3
Allow Community Input	0.2
Job Training	0.3
Job Creation & Advancement	1.5
TOTAL	**7.1/30**

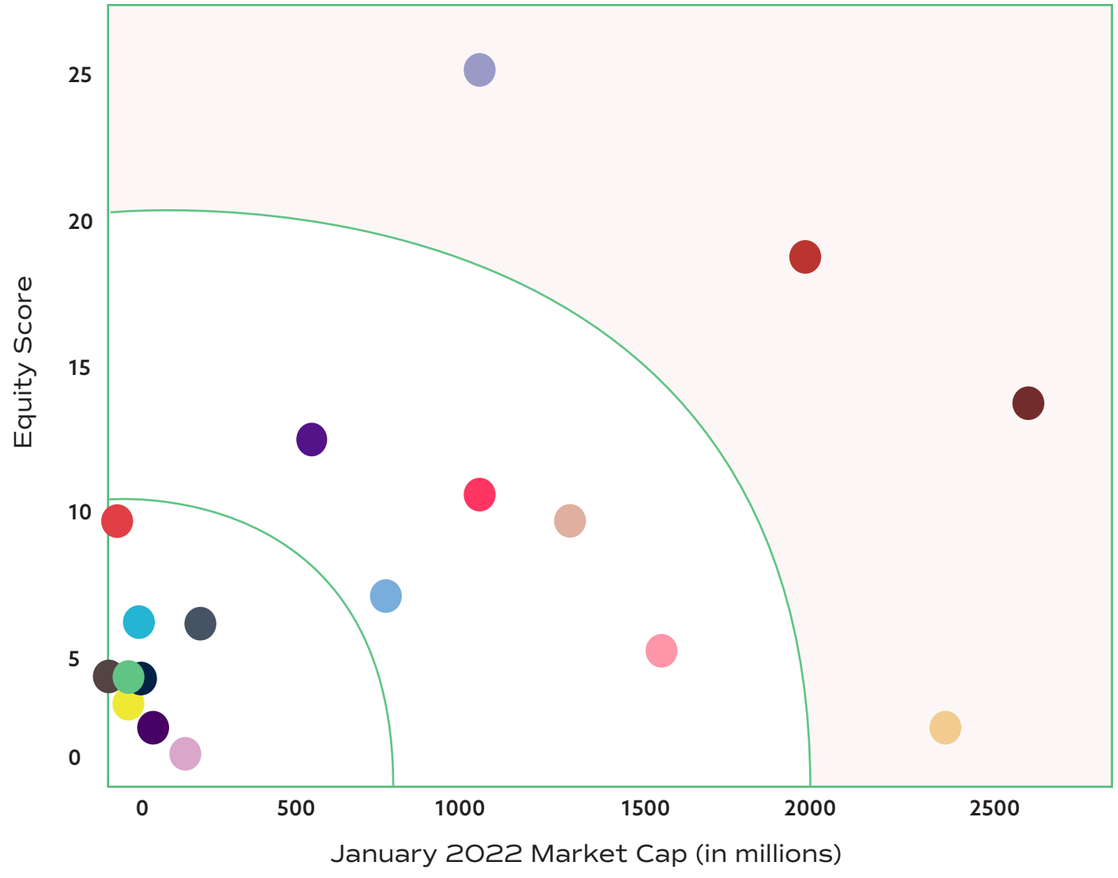
Takeaways:

Although some companies have diversity of ownership, this does not always lead to equitable practices.

The primary form of addressing social responsibility seems to be in the form of partnerships with prominent Black and Brown faces instead of robust internal programs.

There seems to be a Canadian pattern of not addressing social responsibility at all unless a company has a large footprint in the US market.

Market Cap / Equity Scores



Graph Key

- The Green Organic Dutchman
- Greenlane
- Charlotte's Web Holdings
- The Parent Company
- Hexo Corp
- High Tide Inc
- Organigram
- Curaleaf
- Jushi Holdings Inc.
- Aurora
- Cookies
- Cresco Labs Inc.
- Tilray
- Canopy Growth
- Trulieve
- Green Thumb Industries
- Innovative Industrial Properties Inc.
- 710 Labs
- Dro
- Hyman Life
- Industry Average

Company Scores

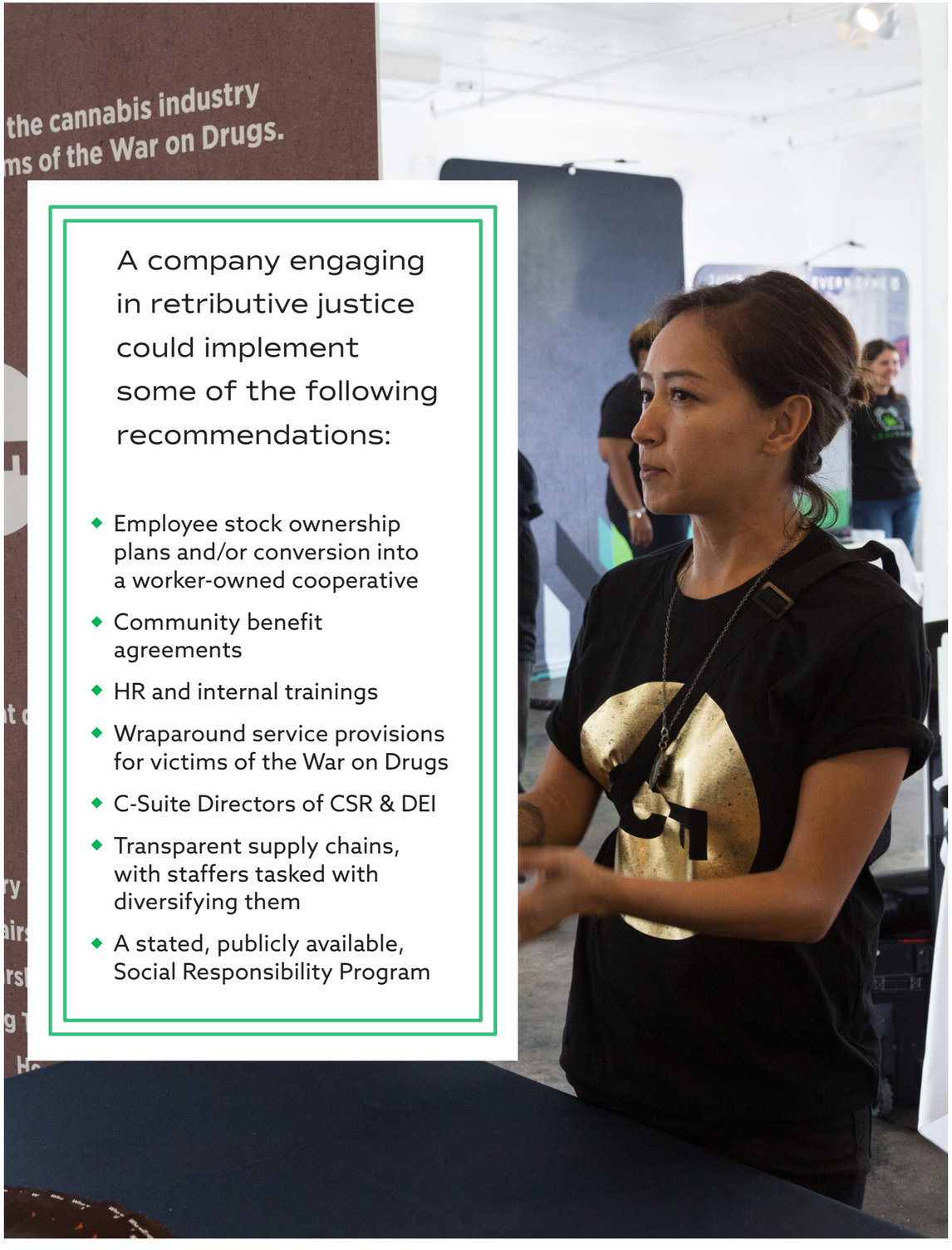
COMPANY NAME	SCORE
710 Labs	1
Aurora	6
Canopy Growth	11
Charlotte's Web Holdings	3
Cookies	24
Cresco Labs	13
Curaleaf	14
Dro	2
Green Organic Dutchman	4
Green Thumb Industries	18
Greenlane	4
Hexo Corp	4
High Tide	6
Hyman Life	0
Innovative Industrial Properties	2
Jushi Holdings	2
Organigram	1
The Parent Company	10
Tilray	7
Trulieve	10

Conclusions

Cannabis companies claim they must be profitable to maintain social responsibility efforts. Tilray, for example, scaled back its social responsibility efforts after losing money consistently, quarter after quarter. Tilray and most other large cannabis companies have also recently laid off staff. Their point of view is that it is hard to invest in social responsibility when the firm is losing money. This is the battle that social responsibility initiatives will face. Companies may only be able to maintain these efforts when business is good.

Are companies using tough times as a reason to get rid of social responsibility programs, or are the social responsibility programs the source of these tough times? Further interviews and research would likely illuminate why exactly these programs seemed to get axed by companies seeking to reduce expenses. For the time being, social responsibility still faces the uphill battle of a company's desire to balance profitability and good PR. But do those need to be in opposition?

Granted, public companies have a legal responsibility to their shareholders, not to the communities harmed by the War on Drugs. **Consumers, however, including communities harmed by the War on Drugs, have an opportunity to hold those companies accountable for profiting off of the suffering of those who came before them.** A company participating in distributive justice would prioiritze fairness and equality in all aspects of its operations, from hiring practices to supply chain management. It would seek to create a more just and equitable society by promoting policies and practices that are inclusive and supportive of communities that have been historically marginalized.



A company engaging in retributive justice could implement some of the following recommendations:

- Employee stock ownership plans and/or conversion into a worker-owned cooperative
- Community benefit agreements
- HR and internal trainings
- Wraparound service provisions for victims of the War on Drugs
- C-Suite Directors of CSR & DEI
- Transparent supply chains, with staffers tasked with diversifying them
- A stated, publicly available, Social Responsibility Program

Research and Methodology

Literature Review

Social Equity

Social equity has become the buzzword of our age to demand transformative justice across industries and institutions. This phrase has become a standard operating procedure for organizers, politicians, and companies alike. Some even go so far as to attach initiatives to their efforts for social equity. “Equity invokes a search for the social, economic, and political causes of an inequality, and for remedies that consider the context and circumstances of disparate outcomes.” (Takeuchi et al. 2018) The equity discourse has long been rooted in the allocation of goods, resources, and revenue. Social Equity is a modern derivative of Social Exchange Theory.

Social Exchange Theory

Human behavior and interactions can be explained through the paradigm of relationships. Human relationships to people, places, and things can be quantified and explained through analyzing the relationship. Whether the relationship is beneficial or not ties back to the exchange between the people, places, and things within them. These interactions can be examined through allocation and reciprocation. Allocation is the process of apportionment and distribution of goods, resources, and revenue (Eckhoff 1974, p. 5). “Reciprocation means a situation of ‘give and take’ between two parties” (Eckhoff 1974, p. 3). Analyzing allocation and reciprocation in human interactions with businesses, institutions, and people makes it possible to determine if the transaction is equitable. Equitable transactions follow certain arcs of justice.

Distributive Justice

Many recent calls for an emphasis on social justice aim to make tomorrow better and ensure that the wrongs of the past don’t inform the future beyond historical reference. These future-oriented demands are about making sure there are more equitable practices going forward. “Distributive justice is the term for those principles that apply to situations of allocation” (Eckhoff 1974, p. 31). An equitable interaction between parties relies on just distribution and a fair ratio of goods, resources, and revenue amongst the participants. Distributive justice recognizes future attempts at equity. Retributive justice addresses equity from a focus on the past.

Retributive Justice

When it is revealed that a company has unethical or inequitable dealings, the demand for equity rests on rectifying some inequities they may have established and profited from. This process to restore or repair a wrong is retributive justice. Eckhoff mentions four separate principles associated with retributive justice, but they all focus on retribution for an act in the past. “What is common to the four principles is that they involve the right or duty to one or other form of retribution…The principles are also based on the ideas of equality, demanding that exchanged values shall have equal weight if balance is to be restored” (Eckhoff 1974, p. 31). Equity must examine all transactions to ensure that the allocation and exchange are indeed equitable. Past transgressions must be noted and quantified to be adequately restored.

Methodology

Technical Feasibility

Our equity score is based on a company deciding to sit with us for an interview and be forthcoming about their practices. Scoring a company would not be difficult if companies agreed to provide access. This method of scoring a company does rely on a company's willingness to be interviewed and respond truthfully, neither of which are foregone conclusions in the cannabis industry.

Analytical Strategy

We identified relevant metrics that would help quantify a company's impact on advancing social responsibility and help to define if the company has an equitable business model. We used the literature to determine two types of justice that actions would fall under.

Distributive Justice & Retributive Justice. Distributive justice is more future-oriented with an emphasis on a just allocation of goods/resources/revenue. Retributive justice seeks to address a specific wrong through the pointed allocation of goods/resources/revenue.

We use these two forms of justice as the basis for our metrics to determine how equitable a company and its practices are. We have chosen 10 metrics that address either form of justice to quantify equity. These metrics take equity from the abstract space to the tangible area of data to be quantified and qualified.

Technical Feasibility Data Collection

We have identified these metrics as a means to quantify a company's equity score. We can answer some of the metrics by studying reports, SEC filings, articles, and visiting the company's website. This approach is a quick way to get answers on some surface-level metrics, but some require intimate knowledge of the business practices. A complete analysis of a company's equity score requires an interview where they were willing to be forthcoming about their history and practices. It would also require knowledge of how the company was founded and its business partners along the way. Studying the company from afar would yield answers, but a good faith interview would be the best way to determine a company's score.

Naturally, this limited the companies to firms willing to be interviewed and graded by our metric. We sought companies in desired locations and then grade and interview them for an Equity Score. We leveraged our own social networks in addition to the networks of Cage-Free Repair and Cage-Free Cannabis for these potential companies to interview.

We received responses from 25% of the companies we contacted. We were able to secure responses (which included phone and/or email interviews) from Tilray, Jushi, Cresco Labs, Hyman Life, and Curaleaf. These responses helped frame our metrics and provide insight into their paradigm of the industry.

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Cannabis Brand Ecosystem

AURORA CANNABIS

Whistler CANNABIS CO.
drift
GREYBEARD CANNABIS
AURORA
WMMC
Being
MedReleaf BY AURORA
CanniMed BY AURORA
Daily SPECIAL
Sun Rooz

CANOPY GROWTH CORPORATION

vert
ACE VALLEY
Twd.
7ACRES
Tweed
DOJA CANNABIS CO.
DEEP SPACE
Hi Way

Cookies

GRANDIFLORA GENETICS

CRESCO LABS

wonder WELLNESS CO.
HIGH SUPPLY
MINDY'S CHEF LED ARTISANAL EDIBLES
GOOD NEWS
Remedi
FLORACAL FARMS

curaleaf

UKU
select

greenlane

HIGHER STANDARDS
MARLEY NATURAL
GROOVE
DAVINCI
ENCE
AEROSPACED
K.Haring
pollen gear A GREENLANE COMPANY

Trulieve

Sweet TALK
RollOne
CULTIVAR Collection
colors
Muse
MOMENTA
Loveli
MODERN FLOWER
TREKKERS CANNABIS
AVENUE

TILRAY BRANDS

CHOWIO
GOOD SUPPLY
THE BATCH

THE GREEN ORGANIC DUTCHMAN ESTABLISHED 2012

BZAM CANNABIS
Highly dutch organic
Fresh CANNABIS
TABLE TOP

Jushi

SECHE
Nira Medicinals
THE LAB CONCENTRATES
THE BANK FLOWER + GENETICS
TASTEOLOGY

HEXO

OS ORIGINAL STASH
Bake Sale
REDECAN

Green Thumb

DOGWALKERS CANNABIS PRE-ROLLS
Doctor Solomon's
incredibles
BEBOE

About the Authors

Justice Wahid Cotton

Justice Wahid Cotton is a young professional who is passionate about improving the quality of life for others in his community. Justice is the Planning Director for a small town in west central Minnesota. Through his professional roles, he has expanded access to Halal meat by localizing production and lead the development of a municipally owned open access fiber network. Justice has a passion for bikepacking, local food, and salumi.

After graduating from NAU with a bachelor's degree in Environmental Studies & Sustainability, he moved back to his home state of South Carolina where he would pursue a master's in City Regional Planning from Clemson University. Through various graduate courses, Justice began to see sustainability through the lens of his passions. As a result, he defines himself as a Seasonal Locavore who prioritizes local food from good people above all else when it comes to his diet. He has also chosen to forego a car for his transportation needs, so he commutes; recreates by bike all year round, even during the polar vortex. Justice's love of quality food has made him quite the chef exploring various ways to cook different meats such as: bison, goat, lamb, and yak. Leaner meats require low; slow, so naturally, Justice spends a lot of time on his smoker. When he's not smoking meat, Justice can be found on his bike getting some miles in. From gravel to snow, Justice has a bike for all conditions with his stable of four bikes. He has bikepacked several routes across the country, and he has recently set his sights on a 630mile trek, The Northwoods Loop, for 2023. When Justice does find a quiet moment, he enjoys a good book. His favorite book is *The Warmth of Other Suns* by Isabel Wilkerson, and his favorite author is Malcolm Gladwell.

Cameron W. Gaskin

Cameron Wesley Gaskin is a software engineering team lead with experience in designing and developing high-quality software solutions. He has worked on cross-functional teams to optimize system performance, engage with users, and supervise product development. Cameron has contributed to the development of new product lines and led investigations of production issues to improve user experience. Cameron holds a Bachelor of Science in Computer Science from Northern Arizona University and has skills in Java, Spring, React, Angular, and more. In his free time, he enjoys music production, history, basketball, and Bible study. He is an MBA Candidate (Class of 2025) at Rice University's Jones Graduate School of Business.

Cage-Free Repair is the non-profit arm of Cage-Free Cannabis. Since launching in 2017, they have worked together to help the cannabis industry and its consumers repair harms of the War on Drugs. Cage-Free Repair is a fiscally-sponsored project of the Social Good Fund.

If you have questions, or additional information for this report, please contact us at info@cagefreecannabis.com

To donate, please visit www.cagefreerepair.org/donate