



IMPACT FRONTIERS

# The ABC of Impact: Modifications and Clarifications, 2023

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# Executive Summary

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In 2023, Impact Frontiers facilitated a public consultation on the “ABC” of impact methodology created through the Impact Management Project (i.e., Act to avoid harm, Benefit stakeholders, and Contribute to solutions). On the basis of this public consultation, Impact Frontiers proposed, sought public feedback on, and is now proceeding with modest changes intended to increase the clarity of the concepts and consistency of usage by practitioners.

This process began with a desk review of over 30 publicly-available written examples of investors using the ABC of impact, and interviews with approximately ten investors and impact management consultants. Additional feedback was gathered through a series of interactive webinars open to the public.

A minority of impact investors use the ABC of impact at present. Those that do generally find it helpful for expressing high-level intentions and goals. Some additionally find it helpful for classifying outcomes, enterprises, and portfolios based on information about impact.

Practitioners noted a number of barriers to consistent and widespread adoption of this methodology. These include a tendency to use older versions of the ABC definitions rather than the most up-to-date ones, and different levels of rigor that different practitioners bring to ABC classification. Moreover, the methodology intentionally leaves discretion to practitioners as to the specific criteria and thresholds used. The result is that investors often expect greater comparability of classifications than is the case in practice. Interviews also suggest uncertainty about the details and steps involved in the methodology.

This document presents synthesized feedback from practitioners, as well as a series of modest modifications and clarifications to the ABC of impact. One of the main modifications is a set of changes to the criteria that help investors more consistently and objectively distinguish which companies should be classified as “Contributing to solutions” versus “Benefiting stakeholders.” In particular, “scale” and “duration” have been removed as criteria for Contributing to solutions to focus on “depth” (among other criteria). Depth captures the degree of change experienced by end-stakeholders. Removing scale and duration makes C classification more clearly about the degree of change of outcomes experienced by end-stakeholders and/or aspects of the natural environment, rather than the aggregate amount or magnitude of impact experienced by populations of end-stakeholders.

Other changes to the criteria for classification of an enterprise as “Contributing to solutions” include:

- Specifying that half or more of the enterprise’s business should be generating the “C” outcome; and
- Specifying that half or more of the stakeholders experiencing the outcome should otherwise have been underserved with regard to that outcome.

Additional points are re-emphasized for clarity. For example, enterprises that are originally classified based on their goals should regularly be reclassified based on their performance. In particular, enterprises that originally classified as C should be reclassified as A if they prove unsuccessful in shifting outcomes over a prolonged period of time.

Sustainability thresholds are re-emphasized as being central to impact classification. Selection of specific thresholds is left to investors based on their contexts and those of investee enterprises and affected stakeholders. Investors are encouraged to disclose their choices of thresholds along with their rationale. Investors are also encouraged to disclose whether classification was undertaken first at the outcome level, then enterprise level, and finally (if relevant) at the portfolio level, as originally recommended by Impact Management Project guidance.<sup>1</sup>

Lastly, this effort revealed that the distinction between impact classification and impact valuation is underappreciated by practitioners. Impact classification labels types of impact, whereas impact valuation compares magnitudes of impact. Investors sometimes reach for the ABC of impact classification methodology as a means of comparing magnitudes of impact when impact valuation techniques would better achieve that goal.

Three aspects of classification are left to the discretion of the practitioner. If comparability of ABC classifications across practitioners, teams, or organizations is desired, the practitioners involved are encouraged to align on:

- What thresholds they will use to define whether a stakeholder is underserved with regard to an outcome (relevant for A, B, and C);
- How much change in the outcome is required to be considered significant to the stakeholder experiencing the change (relevant for C); and
- How likely it is that the stakeholder would have experienced the same change even in the absence of the enterprise (relevant for C).

<sup>1</sup> <https://impactfrontiers.org/norms/abc-of-enterprise-impact/outcome-level/>

# Context and Background

The ABC of Impact classification methodology was developed through the Impact Management Project (IMP), a global forum to build consensus around impact management that ran from 2016 to 2021. At the IMP, conversations with enterprises and investors about their high-level impact intentions and goals led to the articulation of several categories that those intentions regularly fell into. The essence of these categories became summarized as “Acting to avoid harm,” “Benefiting stakeholders,” and “Contributing to solutions” – the “ABC” of impact. Outcomes, enterprises, or portfolios that fell outside these categories were labeled as “Does or may cause harm.”

These broad categories were then refined further based on feedback from practitioners, with increasingly detailed definitions and criteria. This process occurred over several years, and the definitions took their most comprehensively articulated form in 2021. The evolution of these definitions is presented in Table 1. The 2021 version of each definition was on the Norms section of Impact Frontiers’ website<sup>2</sup> through the end of 2023, carried over when Impact Frontiers became the steward of the IMP Norms.

**Table 1.** The evolution of ABC definitions, 2017-2021

	A	B (B implies “A + …”)	C (C implies “A + B + …”)	M	D
<b>2017 (July)</b>	Try to prevent material negative effects for people and planet.	Generate positive effects for people and planet + Try to prevent material negative effects.	Generate specific, significant, positive effects for underserved people and planet + Try to prevent material negative effects.		
<b>2017 (Oct.)</b>	Try to prevent significant effects on important negative outcomes for underserved people and the planet.	Have various effects on important positive outcomes for various people and the planet.	Have a significant effect on specific important positive outcome(s) for underserved people and the planet.		
<b>2018</b>	The enterprise prevents or reduces significant effects on important negative outcomes for people and planet.	The enterprise not only acts to avoid harm, but also generates various effects on positive outcomes for people and the planet.	The enterprise not only acts to avoid harm, but also generates one or more significant effect(s) on positive outcomes for otherwise underserved people and the planet.	May cause harm	Does cause harm






<sup>2</sup> <https://impactfrontiers.org/norms/abc-of-enterprise-impact/>

Continuation of Table 1. The evolution of ABC definitions, 2017-2021

	A	B (B implies "A + ...")	C (C implies "A + B + ...")	M	D
2021	At a minimum, enterprises can Act to avoid harm by identifying where the organization (or asset) is causing harm to people's well-being and the condition of the natural environment and improving those outcomes so that they are getting nearer the sustainable range established by the societal or ecological threshold. This objective is set when the organization will improve performance on the outcome but will not achieve a sustainable outcome within the period for which the objective is being set.	In addition to acting to avoid harm, enterprises can actively Benefit stakeholders by not only acting to avoid harm for all stakeholders (A), but also maintaining or causing improved well-being for one or more group of people and/or the condition of the natural environment, so that it is within the sustainable range established by the societal or ecological threshold.	Many enterprises can go further by not only acting to avoid harm for all stakeholders (A), but also improving the well-being of a group of people or the condition of the natural environment so that the outcome is within the sustainable range, where the outcome had been unsustainable prior to engaging with the organization through no fault of the organization itself. These unsustainable outcomes might have been the result of market or policy failure, leaving a group of people without access to something they need for their well-being or putting the availability of natural resources at risk.	If there is no performance information for an outcome it can be considered: May cause harm.	If an unsustainable outcome is not improving it can be considered: Does cause harm.

As these definitions developed over time, they were also mapped to the data categories specified through the IMP's five dimensions of impact, to aid with the classification of outcomes. The general definitions of the five dimensions are presented in Table 2:

Table 2. The five dimensions of impact

Dimension of impact	Definition
 <b>WHAT</b>	What outcome the enterprise is contributing to, whether it is positive or negative, and how important the outcome is to stakeholders
 <b>WHO</b>	Which stakeholders are experiencing the outcome and how underserved they are in relation to the outcome
 <b>HOW MUCH</b>	How many stakeholders experienced the outcome, what degree of change they experienced, and how long they experienced the outcome
 <b>CONTRIBUTION</b>	Whether an enterprise's and/or investor's efforts resulted in outcomes that were likely better than what would have occurred otherwise
 <b>RISK</b>	Likelihood that impact will be different than expected

The five dimensions are underpinned by data categories that are more detailed than the dimensions themselves. The table in Appendix 1 presents these data categories by the dimension they are associated with. The mapping of the ABC definitions to these data categories evolved over time, and earlier versions are presented in the appendix. The final, 2021 version is shown in Table 3.

**Table 3.** ABC classification based on the data categories within the five dimensions of impact: 2021 version

Data		Acts to reduce harm if ...	Benefit stakeholders if ...	Contribute to solutions if ...
Measure outcome at year 0 (baseline)	Performance on metric at <u>baseline</u>	Baseline performance is ...		
... Relative to threshold	Societal or ecological threshold	Outside sustainable range (caused by the organization)	In sustainable range	Outside sustainable range (not caused by the organization)
Compared with baseline, current performance is ...				
Measure outcome at year 1 (current period)	Performance on metric in <u>current period</u>	Improving (getting nearer the sustainable range)	Maintained/improving	Improving
... Relative to threshold	Societal or ecological threshold	Outside sustainable range	In sustainable range	In sustainable range
... In context	Relative importance of the aspect of well-being changing	Important	Important	Important
	Number of people experiencing the outcome			Many (or few if performance is improving to a large degree)
	Duration of the outcome			Long
	Segmented by demographic and geography			May help identify those most in need of positive outcome
	Counterfactual			Would not otherwise occur
	Impact risk assessment			

As Table 3 shows, thresholds are a critical feature of ABC classification. The Impact Management Platform uses the following definition for societal or ecological thresholds: “A level or range of performance that divides sustainable from unsustainable performance. These ranges are set with reference to social norms or planetary limits that have been identified through scientific research.” The Platform offers the following guidance on how to select the best possible threshold:

A threshold should be:

- “Rooted in the best available science on the relevant topic;
- Applicable to the specific situation being measured (which can be verified through stakeholder feedback);
- The most aspirational choice feasible; and
- Transparently reported.”<sup>3</sup>

Guidance on finding and using thresholds is presented in the “Communicating, Clarifying, and Modifying the ABC of Impact” section below.

As the definitions and criteria of ABC classification evolved from 2017-21, the roles that thresholds play in classification were made more explicit. For “Act to avoid harm” this included:

- Clarifying that this requires intentional action towards improvement;
- Explicitly naming the concept of sustainability thresholds as the dividing line below which performance would remain A rather than crossing over to become C; and
- Making explicit that to be A the organization itself had to be previously causing outcome to be below-threshold.

For “Benefit stakeholders,” it was specified by 2021 that “maintaining” improved well-being for people or the planet, within the sustainable range established by the societal or ecological threshold, was sufficient. That is, an outcome did not have to be actively moving higher above the threshold during the specified period (although that would also make it B) – it could also be maintaining its position above the threshold.

The relationship to a threshold was also made explicit for “Contribute to solutions” in the 2021 mapping of ABC onto the data categories. Specifically, a threshold between the unsustainable range versus the sustainable range for an outcome is the dividing line which, when crossed, takes an outcome from an A to a C. Additionally, the 2021 version makes it explicit that to be C the organization itself had to not be previously causing the outcome to be below-threshold.

3 <https://impactmanagementplatform.org/thresholds-and-allocations/>



## Current Usage and Challenges

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A minority of investors appear to use the ABC of impact at present. In interviews for this project, impact management consultants roughly estimated that the proportion of their investor clients using ABC was in the 15-20% range, and a 2022 report from BlueMark found that only 8% of verified impact investors were using it.<sup>4</sup> A review of over 30 publicly-available written sources – including impact reports, statements of investment goals and practice, and guides for impact measurement and management – demonstrates how some investors have been using the ABC of impact, and points toward challenges currently impeding a more widespread and consistent adoption of this methodology.

Overarching observations on usage of the ABC of impact include:

- Market participants find ABC to be helpful for expressing the intentions of companies and investors, and for more systematically assessing whether investments align with investors' intentions.
- Application of the 2017 / 2018 versions of the prose definitions to a large diversified or “legacy” portfolio helps asset owners build an initial understanding of that portfolio’s impact characteristics.
- Many investors overlay ABC onto something approximating a “spectrum of capital,”<sup>5</sup> with A corresponding to responsible investing, B to sustainable investing, and C earning the “impact” label.

Additionally, there were finer points that regularly stood out from the examples:

- Of the sources that specify which version of the ABC prose definitions they are using, many are using the definitions from 2017-18.
- Many practitioners believe that C is “better than” B, which is “better than” A. This makes sense so long as it expresses the practitioner’s preference for types of impact, and does not reflect an inference that C impacts are greater in magnitude than B, or B than A.
- Very few investors disclose how they classify investments based on underlying data about impact. It appears that many use the high-level prose definitions of ABC but not the underlying mapping to data categories.<sup>6</sup>
- Interviews with market participants reinforced the finding that different investors apply their own bespoke criteria and different levels of rigor to ABC classification, with the result that classifications are typically not comparable across investors.

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4 [https://bluemarktideline.com/wp-content/uploads/2022/06/BlueMark\\_Making\\_the\\_Mark\\_2022\\_FINAL.pdf](https://bluemarktideline.com/wp-content/uploads/2022/06/BlueMark_Making_the_Mark_2022_FINAL.pdf)

5 <https://www.bridgesfundmanagement.com/wp-content/uploads/2017/08/Bridges-Spectrum-of-Capital-print.pdf>

6 It is important to note that these findings are based on publicly available resources, including reports and summaries of investment approaches, which can be too brief to allow for an in-depth explanation of exactly how those investors used ABC.

- In publicly available material, it appears as though few investors begin ABC classification at the outcome level, then build up to the enterprise and portfolio level. Often, classification is presented at the enterprise and/or portfolio level, without reference to the outcome(s) that served as the basis for the classification.
- Some examples present impact ratings, and then assign ABC labels to those ratings, reflecting misunderstanding about the difference between impact classification and impact valuation.

## Communicating, Clarifying, and Modifying the ABC of Impact

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This section presents the updated definitions for the ABC of impact, further information about thresholds, and updated guidance to help practitioners distinguish C from B impacts.

### 1. Updated Definitions (Summary and Full)

Feedback from investors suggests that there are two main ways the ABC of impact can be applied. The first is for “big picture” framing, at the high level of intentions and goals that an asset owner or allocator may have for a portfolio, for example. The second approach is to use this methodology at the more detailed and granular level of applying data to the classification process. In a feedback huddle, one expert said that using ABC to classify intentions is a “good start,” and then using data to classify individual assets can be a higher standard that some can reach toward.

The ABC definitions in Table 4 aim to address both uses of this methodology by presenting different levels of each definition. The “Summary” definitions capture the main sentiment underlying the full definitions, without getting into the finer details of data categories. The summary definitions might be useful for practitioners who want to use the ABC of impact to categorize their investment goals/intentions. The full definitions can guide investors who want to bring data into the classification process, or who find that level of detail illuminating for their understanding of the summary definitions.

The full A and B definitions are unchanged from the 2021 IMP definitions (Table 1), as are the full M and D definitions. The C definition has been updated to clarify the distinction between B and C.

**Table 4. Definitions: Updated (2023) versions**

<b>A</b> Summary	Act to avoid harm: Improving outcomes that are in the unsustainable range so that they are getting nearer the sustainable range.
<b>A</b> Full definition	Act to avoid harm: At a minimum, enterprises can Act to avoid harm by identifying where the organization (or asset) is causing harm to people's well-being and the condition of the natural environment and improving those outcomes so that they are getting nearer the sustainable range established by the societal or ecological threshold. This objective is set when the organization will improve performance on the outcome but will not achieve a sustainable outcome within the period for which the objective is being set.
<b>B</b> (B implies "A + ...") Summary	Benefit stakeholders: Actively benefiting stakeholders by maintaining or causing improved well-being for end-stakeholders and/or the environment within the sustainable range.
<b>B</b> (B implies "A + ...") Full definition	Benefit stakeholders: Enterprises can actively benefit stakeholders by not only acting to avoid harm for all stakeholders (A), but also maintaining or causing improved well-being for one or more groups of people and/or the condition of the natural environment, so that it is within the sustainable range established by the societal or ecological threshold.
<b>C</b> (C implies "A + B + ...") Summary	Contribute to solutions: Improving the well-being of end-stakeholders and/or the environment so that the outcome moves from the unsustainable range to the sustainable range.
<b>C</b> (C implies "A + B + ...") Full Definition	<p>A Contribute to solutions (C) classification should be improving the well-being of a group of people or the condition of the natural environment so that the outcome is within the sustainable range, where the outcome had been unsustainable prior to engaging with the organization. These unsustainable outcomes should not have been originally generated by the organization itself (for instance, they might have been the result of a market or policy failure), leaving a group of people without access to something they need for their well-being or putting the availability of natural resources at risk.</p> <p>For an enterprise to classify as "C" based on an outcome, half or more of the enterprise's stakeholders experiencing that outcome should otherwise have been underserved with regard to the outcome, and half or more of the enterprises' business should be generating that outcome, as measured by the proportion of revenue (if the outcome is associated with products or services) or costs (if the outcome is associated with enterprise operations).</p> <p>An enterprise can classify as having a goal of "C" for only a discrete and pre-announced duration of time, before needing to reclassify as "A" if unsuccessful in achieving its "C" goals.</p>
<b>M</b> Summary	May cause harm.
<b>M</b> Full definition	If there is no performance information for an outcome it can be considered: May cause harm.
<b>D</b> Summary	Does cause harm.
<b>D</b> Full definition	If an unsustainable outcome is not improving it can be considered: Does cause harm.

Specific criteria for ABC classification have always been left to the discretion of the practitioner and that continues to be the case. As part of the public consultation process, Impact Frontiers proposed a number of potential changes to the criteria for C that would reduce the scope of this discretion and thereby potentially increase the consistency of application and comparability of results.

Some of these proposals were validated by the practitioner community while others were not. Those that were validated include the following:

- Clarifying what is meant by “These unsustainable outcomes should not have been originally generated by the organization itself” with the addition of “(for instance, they might have been the result of a market or policy failure)”
  - To help communicate this point, the following shorthand can be useful:<sup>7</sup>
    - A = “unsustainable” companies that are **cleaning up their own mess**
    - B = companies that have **cleaned up their own mess** (if any) and are now operating sustainably
    - C = companies that are **cleaning up other people's messes**
- Specifying that “half or more of the stakeholders experiencing that outcome should otherwise have been underserved with regard to the outcome.” This was not directly stated in previous versions of the C definition. There can be some flexibility around this 50% cut-off, as long as the rationale is clearly explained in detail.
- Specifying what proportion of an enterprise must be devoted to generating the outcome used for the C classification. The updated definition now includes: “Additionally, for an enterprise to classify as C based on an outcome, half or more of the enterprises’ business should be generating that outcome, as measured by the proportion of revenue (if the outcome is associated with products or services) or costs (if the outcome is associated with enterprise operations).” Here too there can be flexibility regarding the 50% proportion as long as the justification is made clear.
- Specifying that an organization should not be classified as C if it tries for a number of years to address harms it did not originally cause, while in the meantime becoming complicit in the problem. At that point, it should be reclassified as A rather than C. This addresses the subjectivity associated with ascertaining whether or not an organization should be considered to have previously been causing a negative outcome, by giving a clear timeline for that process if it is still ongoing. The updated C definition suggests that “An enterprise can classify as having a goal of C for only a discrete and pre-announced duration of time, before needing to reclassify as A if unsuccessful in achieving its C goals.”

7 <https://sites.duke.edu/casei3/2020/12/15/the-abcs-and-sdgs-of-classification-for-impact-investing-strategies/>

Additionally, the following points are important to keep in mind when assigning a C classification:

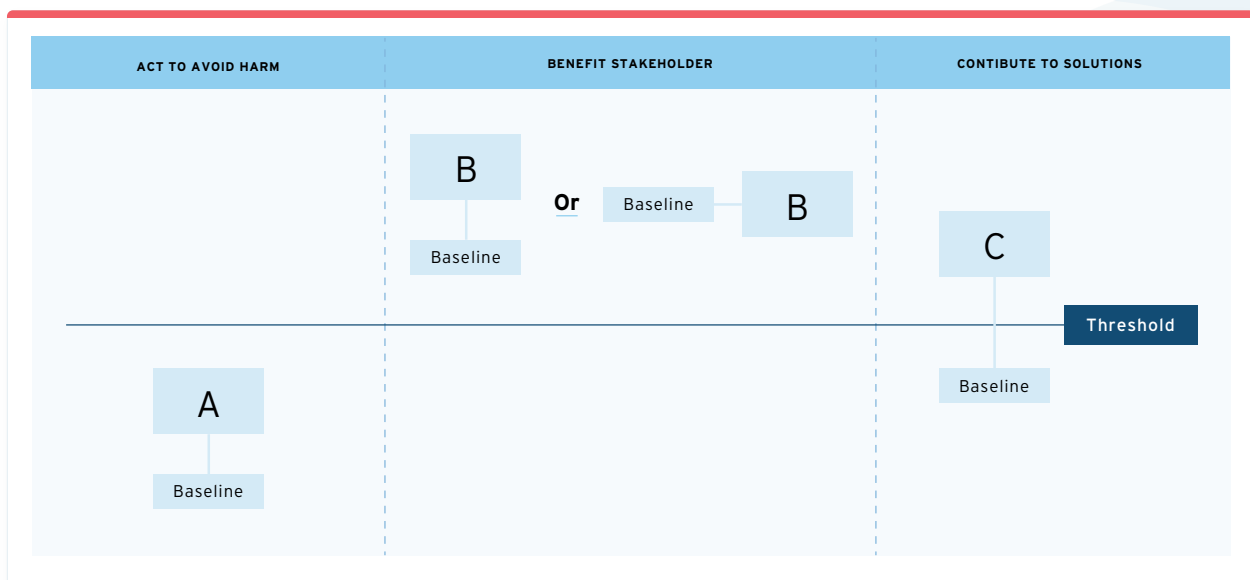
- To the extent possible, it is very helpful to specify and disclose the criteria set for C classification, along with the rationale. Those publishing the results of a classification can expect to be asked for their methodology, and those reviewing the results of a classification can feel empowered to request more information about the criteria used.
- In particular, communication of whether and why the degree of change experienced by end-stakeholders and the natural environment is significant to those stakeholders is encouraged, given that there is no fixed degree of change (in absolute or percentage terms) that automatically qualifies an impact as C across all stakeholders and contexts.

## 2. Thresholds

The ABC definitions are centered around the use of thresholds. Thresholds delineate the unsustainable (i.e., a stakeholder is underserved with regard to that outcome) and sustainable ranges that outcomes can fall into. In a classification process based on data, it is essential to specify which threshold(s) are used, along with supporting data and rationale. In many cases, due to the absence of widely accepted thresholds, the chosen threshold will be a judgment call by the enterprise or investor, and that judgment should be articulated.

Figure 1 shows a stylized depiction of ABC classification oriented around a threshold. In the A, B, and C columns, outcomes (the A, B, and C boxes) are compared to baseline scenarios. For example, C shows that the outcome must be in the sustainable range whereas previously (the baseline) it had been in the unsustainable range.

**Figure 1.** Threshold analysis for ABC of impact classification



Several webinar participants reported that thresholds are the hardest part for investors trying to use data in their ABC classification, and that for the most part investors are using thresholds that are simply based on what they think is “good enough.”

To paraphrase what another huddle participant said about thresholds: “They are a great concept, but practical guides and resources are needed to define what thresholds are and how to specify and use them.” Towards that end, the following is a non-comprehensive list of further information and resources on thresholds:

- [“Thresholds and Allocations.”](#) Impact Management Platform
- Resources on the “Technical Screening Criteria” of the [EU Taxonomy](#):
  - Technical Expert Group on Sustainable Finance Taxonomy. [“Technical Report.”](#)
  - Aleksic, Alex. [“EU Taxonomy Metrics and Thresholds.”](#) Physis Investment.
  - [“A Short Guide to the EU’s Taxonomy Regulation.”](#) S&P Global.
- Baue, Bill. [“Compared to What?”](#) UNRISD.
- [r3.0](#)
- [Future-Fit Business](#)
- [Science Based Targets Initiative](#)
- [Science Based Targets Network](#)
- [“How Do We Know if an Outcome Is ‘Good Enough?’”](#) Impact Frontiers.
- [“Key Concept: Thresholds.”](#) Impact Frontiers Online Curriculum, Module 8.

### 3. Mapping of ABC to Data Categories

Outcomes can be classified as A, B, or C based on data. Table 3, above, presents the 2021 version of this process. Table 5, below, is an updated version of this table incorporating insights from the 2023 public consultation process on the ABC of impact.

**Table 5.** ABC classification based on the data categories within the five dimensions of impact:  
Updated (2023) version

Data		Dimension of impact	Acts to reduce harm if ...	Benefit stakeholders if ...	Contribute to solutions if ...
Measure outcome at year 0 (baseline)	Performance on metric at baseline		Baseline performance is ...		
... Relative to threshold	Societal or ecological threshold		Outside sustainable range (caused by the organization)	In sustainable range	Outside sustainable range (not caused by the organization)
<b>Compared with baseline, current performance is ...</b>					
Measure outcome at year 1 (current period)	Performance on metric in current period		Improving (getting nearer the sustainable range)	Maintained/improved	Improving (moved from the unsustainable range to the sustainable range)
... Relative to threshold	Societal or ecological threshold		Outside sustainable range	In sustainable range	In sustainable range
... In context	Relative importance of the aspect of well-being changing	What	Important	Important	Important
	Degree of change experienced by the end-stakeholder (year 1 level - year 0 level)	How much (depth)			Meaningful change, significant to the overall well-being of the end-stakeholder
	Segmented by demographic and geography	Who			May help identify those most in need of positive outcome
	Counterfactual	Enterprise Contribution			Would not otherwise occur
	Impact risk assessment	Impact risk	<i>Not a criterion for ABC</i>		
	Number of people experiencing outcome	How much (scale)	<i>Not a criterion for ABC</i>		
	Duration of the outcome	How much (duration)	<i>Not a criterion for ABC</i>		

For ease of use, the table has been modified to include a “Dimension of impact” column (the third column in Table 5), so that it is explicit which dimension is associated with each piece of data (second column).

In the 2021 version of this table, the How Much dimension had data categories capturing the “duration” and “scale” components of that dimension as features of a C classification. In interviews and webinars, there was not clear consensus that scale and duration should (or should not) be removed as criteria for C. However, there was consensus that removing them would eliminate one source of subjectivity and potential confusion, and the proposal is validated on those grounds. Removing scale and duration while leaving depth of impact makes C classification more clearly about the type or nature of outcomes or impact, rather than amount or magnitude. The scale and duration rows are now at the bottom of the table for completeness and clarity, so that users of this methodology can explicitly see that these data categories are not criterion for ABC classification.

#### 4. Additional Clarifications

Practitioners in the consultation sought clarification on several points beyond the updated definitions and criteria presented above.

Firstly, A and C are impact classifications, whereas B is an outcome classification. This has always been the case, but it is important to reiterate it because ABC is colloquially referred to as an impact classification, and so it understandably causes confusion that B is in fact an outcome classification. The details of this distinction are presented in the ABC Norms section of the Impact Frontiers webpage, carried over from the IMP:

“For simplicity, the ABC of impact is referred to as a form of impact classification. However, Benefiting stakeholders is technically an outcome classification, as it is based on a level of performance rather than a change in performance and does not require causation. Act to avoid harm and Contribute to solutions are both impact classifications, since they require change over time that is caused by the enterprise. They differ with regard to whether the original below-threshold outcome was originally caused by the enterprise itself (Act to avoid harm) or not (Contribute to Solutions), and whether the outcome has crossed the threshold into the sustainable range, or is expected to do so during the period for which goals are being set.”<sup>8</sup>

8 <https://impactfrontiers.org/norms/abc-of-enterprise-impact/>



Secondly, as mentioned under “Current Usage and Challenges” above, a review of publicly available examples found that ABC classification is frequently presented at the enterprise and/or portfolio level, without indicating whether outcomes were classified first. While ABC classification can be applied at the level of individual outcomes associated with an enterprise, an enterprise as a whole, and/or a portfolio of investments in enterprises, ideally practitioners will: first classify multiple enterprise outcomes that are significant for stakeholders; then classify the enterprise based on those outcome classifications; and finally classify the overall portfolio based on the enterprise classifications.

At the moment, there appear to be very few examples of investors implementing this step-by-step classification, but doing so can help make aggregate levels of classification (e.g., portfolios) more systematic, consistent, and rigorous. Guidance on this process is available here:

- [ABC at outcome level](#)
- [ABC at enterprise level](#)
- [ABC at portfolio level](#)

All levels of ABC classification require ongoing/periodic review, and reclassification as necessary.

Thirdly, the ABC of impact is a classification methodology, not an exercise in impact valuation. Impact valuation approaches are techniques (e.g., monetization or scoring) that help assess impact magnitude. In contrast, impact classification labels types of impact. There can be an A that reaches few people and an A that reaches many, and the same for B and C.

Practitioners sometimes undertake impact scoring or rating exercises and apply ABC labels to the different ranges of their impact score. It is important, however, to keep valuation and classification approaches separate, as they capture distinct sets of information about investments. If an investor wants to undertake impact valuation, the following resources offer entry points into this approach:

- Impact Management Platform. [“Measure, Assess and Value.”](#)
- Nicholls, Jeremy and Zochowski, T. Robert. [“Mutually Compatible, Yet Different: A Theoretical Framework for Reconciling Different Impact Monetization Methodologies and Frameworks.”](#)
- Addy, Chris; Chorenge, Maya; Collins, Mariah; and Etzel, Michael. [“Calculating the Value of Impact Investing.”](#)
- Richards, Adam and Nicholls, Jeremy (Editors). [“Discussion Document on the Valuation of Social Outcomes.”](#) Social Value International.
- The SROI Network. [“A Guide to Social Return on Investment.”](#)

- Impact Management Project. "[Impact Ratings: Quantified, not Monetised.](#)"
- Impact Management Project. "[Impact Monetisation: A Summary of the Discussions with the IMP's Practitioner Community.](#)"
- EVPA. "Monetising Impact."
- King, Andrew A. and Pucker, Kenneth P. "[Heroic Accounting: New Proposals for Monetizing Corporate Planetary Impacts Are Alluring, Impossible, and Perilous](#)" SSIR.
- Zochowski, T. Robert; Panella, Katie; and Carpenter, Ben. "[Fair Accounting: The Movement to Monetize Corporate Externalities is Feasible, Timely, and Necessary.](#)" SSIR.
- [Impact-weighted Accounting Case Studies/Examples.](#) HBS.

## 5. Examples

In interviews and webinars, investors asked for examples to help inspire and guide them as they undertake ABC of impact classifications of their own. The following examples are from the Impact Management Platform, and align with the updated definitions presented in this section:<sup>9</sup>

- An **Act to avoid harm** organization: A clothing company that historically paid employees at or below minimum wage and had instances of human rights abuse in its supply chain. Its operations were inefficient and carbon intensive versus peers. Two years ago, the company made a commitment to clean up its act. Since then, the company has reported meaningful increases in workforce salary and it is on its way to becoming a living wage employer. Management have taken responsibility for eradicating human rights abuses across all business relationships. This initiative is not yet complete but there has been a marked improvement year-on-year. The company has set targets to reduce its carbon emissions and has made substantial investments in new carbon efficient technologies across its manufacturing plants.
- A **Benefit stakeholders** organization: A carpet manufacturer that produces carpet tiles through use of environmentally friendly materials and production methods. Through various initiatives, the company has achieved net-zero carbon emissions across its operations. It is celebrated as a leading employer in terms of workforce diversity and well-being. It is the buyer and seller of choice in its industry because of its fair practices.
- A **Contribute to solutions** organization: A soap company that manufactures a range of personal hygiene products from natural ingredients. All ingredients are naturally occurring and ethically sourced. Aside from the quality of its products and service, the company's focus is on providing quality employment and training to those who otherwise find it difficult to secure a job. Over 90% of the employees are either previously long-term unemployed or registered as disabled.

<sup>9</sup> <https://impactmanagementplatform.org/investment-classifications/>

## Conclusion

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A larger question – not specific to this methodology but about impact management more generally – is whether self-classification and reporting regimes that are entirely voluntary, lacking legal or regulatory enforcement, can generate the degree of clarity, comparability, and consistency of impact data that market participants and other stakeholders desire. This project did not seek to address that question.




What is clear is that, given the discretion left to practitioners performing ABC classification, the results of two classifications are comparable only when the same specific criteria and thresholds are used. In many cases, this means that classifications are comparable within organizations but not across organizations.

It was clear from the review of written resources and interviews that while some market participants find the ABC of impact useful, it is not a panacea. It represents a logic – a way of making sense of information about various dimensions of impacts on various stakeholders – that relies on data and calculations that in many cases do not yet exist. For investors to fully apply the ABC logic as intended would require significantly more impact accounting at the company level and clearer thresholds and allocations for social and environmental performance from researchers, policymakers, and regulators.



Policymakers and regulators, for their part, prefer to prescribe approaches that have been tested in the voluntary sphere and found to be effective and not overly burdensome. Even if the ABC of impact is not a panacea, refining the definitions and application in the voluntary sphere may result in concepts and practices that are later taken up by policymakers and regulators that do have the power to enforce clarity, comparability, and consistency of impact disclosure by enterprise and investors.

# Appendix 1. Impact Data Categories

The Impact Management Project consensus identified more granular data categories that enterprises and investors can use to understand their impacts on people and planet across the five dimensions.

Impact dimension	Impact data category	Description
 <p><b>WHAT</b></p>	Outcome level in period	The level of outcome experienced by the stakeholder when engaging with the enterprise. The outcome can be positive or negative, intended or unintended.
	Outcome threshold	The level of outcome that the stakeholder considers to be a positive outcome. Anything below this level is considered a negative outcome. The outcome threshold can be a nationally or internationally agreed standard.
	Importance of outcome to stakeholder	The stakeholder’s view whether the outcome the experience is important (relevant to other outcomes). Where possible, the people experiencing the outcome provides this data, although third party research may also be considered. for the environment, scientific research provides this view.
	SDG or other global goal	The Sustainable Development Goal target or other global goal that the outcome relates to. An outcome might relate to more than one goal.
 <p><b>WHO</b></p>	Stakeholder	The type of stakeholder experiencing the outcome.
	Geographical boundary	The geographical location where the stakeholder experiences the social and/or environmental outcome.
	Outcome level at baseline	The level of outcome being experienced by stakeholder prior to engaging with, or otherwise being affected by the enterprise.
	Stakeholder characteristics	Socio-demographic and/or behavioral characteristics and/or ecosystem characteristics of the stakeholder to enable segmentation.
 <p><b>HOW MUCH</b></p>	Scale	The number of individuals experiencing the outcome. When the planet is the stakeholder, this category is not relevant.
	Depth	The degree of change experienced by the stakeholder. Depth is calculated by analyzing the change that has occurred between the “Outcome level at baseline” (Who) and the “Outcome level in period” (What).
	Duration	The time period for which the stakeholder experiences the outcome.

Continued

Impact dimension	Impact data category	Description
 <p data-bbox="269 453 422 506"><b>ENTERPRISE CONTRIBUTION</b></p>	<p data-bbox="505 342 630 394">Outcome level counterfactual</p>	<p data-bbox="773 342 1354 394">The difference between the outcome level that occurred and the level that would have occurred in the absence of the enterprise.</p>
 <p data-bbox="321 705 370 726"><b>RISK</b></p>	<p data-bbox="505 567 581 588">Risk type</p>	<p data-bbox="773 567 1382 619">The type of risk that may undermine the delivery of the expected impact for people and/or the planet. There are nine types of impact risk.</p>
	<p data-bbox="505 672 581 693">Risk level</p>	<p data-bbox="773 672 1360 756">The level of risk, assessed by combining the likelihood of the risk occurring, and the severity of the consequences for people and/or the planet if it does.</p>

# Appendix 2. The 2017 Mapping of ABC to Dimensions of Impact

	May or does cause material negative effects for people and planet	Try to prevent material negative effects for people and planet	Positive effects for people and planet + Try to prevent material negative effects	Specific, material, positive effects for people and planet + Try to prevent material negative effects
	<b>Important negative outcomes</b>	<b>At least neutral outcomes</b>	<b>Important positive outcomes</b>	<b>Specific important positive outcomes</b>
<b>WHAT</b> □				
<b>HOW MUCH</b> ⋮	Various	Various	Various	<b>Deep and/or For many and/or Long-term</b>
<b>WHO</b> ○	Various	Various	Various	<b>Specific and underserved</b>
<b>CONTRIBUTION</b> +	<b>Likely same or worse</b>	<b>Likely same or better</b>	<b>Likely same or better</b>	<b>Likely better</b>
<b>RISK</b> △	Various	Various	Various	Various

# Appendix 3: The 2018 Mapping of ABC to Data Categories

	ASSESSMENT TO LOOK FOR...					
□ WHAT	Unknown	Important negative outcomes	Important negative outcome(s)	Important positive outcome(s)	Specific important positive outcome(s)	
○ WHO	Unknown	Various	Underserved	Various	Underserved	
HOW MUCH	Unknown	Various	High Degree of positive change	Various	High Degree of positive change	
			- DEPTH		Various	and/or for many
			- SCALE		Various	and/or long-term
- DURATION	Unknown	Various	Various	Various		
+ CONTRIBUTION	Unknown	Various	Likely same or better	Likely same or better	Likely better	
△ RISK	Unknown	Various	Various	Various	Various	
CLASSIFICATION OF IMPACT	May cause harm	Does cause harm	Act to avoid harm	Benefit stakeholders	Contribute to solutions	

Main changes from 2017 to 2018:

- “May cause harm” and “Does cause harm” are more clearly differentiated
- The “Depth” category under “How Much” in the “Act to avoid harm” column is “High degree of positive change” rather than “Various”

# Appendix 4: The 2018 Mapping of ABC to Data Categories

	Data	Act to reduce harm if ...	Benefit stakeholders if ...	Contribute to solutions if ...
<b>Measure outcome at year 0 (baseline)</b>	Performance on metric at <u>baseline</u>	<b>Baseline performance is ...</b>		
<b>... Relative to threshold</b>	Societal or ecological threshold	Outside sustainable range <b>(caused by the organisation)</b>	In sustainable range	Outside sustainable range <b>(not caused by the organisation)</b>
<b>Compared with baseline, current performance is...</b>				
<b>Measure outcome at year 1 (current period)</b>	Performance on metric in <u>current period</u>	Improving (getting nearer the sustainable range)	Maintained/improving	Improving
<b>... Relative to threshold</b>	Societal or ecological threshold	Outside sustainable range	In sustainable range	In sustainable range
<b>... In context</b>	Relative importance of the aspect of well-being changing	Important	Important	Important
	Number of people experiencing outcome			Many*
	Duration of the outcome			Long
	Segmented by demographic and geography			<i>May help identify those most in need of positive outcome</i>
	Counterfactual			Would not otherwise occur
	Impact risk assessment			

Source: Impact Management Platform

\*Or few if performance is improving to a large degree

Main changes from 2018 to 2021:

- The data categories are more precisely defined
- The baseline (year 0) and endline (current period) are specified explicitly
- The concept of thresholds is made explicit
- Who originally caused negative outcomes is explicitly considered



## Appendix 5. Online Classification Tool Discontinued

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One driver of increasing use of ABC classification from 2018-21 was the launch and growth of the online self-reporting and reporting Impact Classification System (ICS) created by the IMP+ACT Alliance for open-access use by investors. [Impact Classes](#) combine the ABC of impact with the IMP's investor contribution strategies to group investments with similar impact characteristics based on their impact performance data (or, in the case of new investments, their impact goals).

The IMP+ACT Alliance, like the Impact Management Project, was facilitated by Bridges Insights, and was used by over 300 practitioners at its peak. For examples of its use, see this [article in ESG Today](#) and this [webinar of a live demo](#). One of the stated goals of the ICS was to “allow for better transparency and comparability of impact data and reporting for impact investors” (ICS CEO Claudia Coppenolle, as quoted [here](#)). However, in our interviews, practitioners that had used the system expressed concern that investors' criteria for classification were inconsistent, leading to inflated classifications of “C” and undermining the comparability of classifications.

In 2021, the IMP+ACT Alliance wound down and handed off the ICS to the Global Impact investing Network (GIIN), which took the tool offline in 2022. For more information, see this [press release](#) from the GIIN.

## Appendix 6. People Consulted for This Project

The following people generously shared their insights and experiences using the ABC of impact through interviews, email, and/or the online discussion board for this project.<sup>10</sup>

Name	Organization
Clara Barby	Just Climate
John Berger	Tonic
Cathy Clark	CASE at Fuqua School of Business, Duke University
Claudia Coppenolle	The ImPact Fellow in Residence
Claire Dumont	Anthos
Jo Fackler	Impact Management Platform
Sarah Gelfand	BlueMark
Tristan Hackett	BlueMark
Karim Harji	Saïd Business School, University of Oxford
Ilan Havinga	Allianz Global Investors
Stephanie Kater	The Bridgespan Group
Diane Mak	Allianz Global Investors
Liron Mannie	Wellington Management
Joshua Meek	Unity Trust Bank
Rana Modarres	M&G
Oyin Oduya	Wellington Management
Spencer Powell	Bridges Fund Management
Olivia Prentice	The Good Economy
Kate Ruff	Common Approach to Impact Measurement; Carleton University
Lyn Tomlinson	Cazenove Capital
Jelena Stamenkova van Rumpt	Anthos
Lilian Wang	Arisaig Partners

Additionally, approximately 30 people from a range of organizations participated in webinars and provided further feedback that shaped this project, and their thoughtful engagement is gratefully acknowledged.

<sup>10</sup> It is acknowledged that their individual views do not necessarily represent those of their organizations.



IMPACT  
FRONTIERS

Impact Frontiers is a peer learning and market-building collaboration, developed with and for asset managers, asset owners and industry associations. The initiative creates practical tools and peer-learning communities that support investors in building their capabilities for managing impact, and integrating impact with financial data, analysis, frameworks, and processes.

Impact Frontiers originated at Root Capital, migrated to the Impact Management Project in 2019 as a natural platform for industry collaboration, and is now continuing as an independent non-profit initiative of the Bridges group.

Learn more at [impactfrontiers.org](https://www.impactfrontiers.org)



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