IMPACT FRONTIERS

Advancing Social Equity through Impact Management: Proposed Changes to the Norms

CONSULTATION DRAFT

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Impactfrontiers.org

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Executive Summary

In 2024, Impact Frontiers is conducting a social equity audit of the Norms of impact management facilitated by the Impact Management Project (IMP) and now stewarded by Impact Frontiers. These include the five dimensions of impact, ABC classification, and investor contribution (see **Appendix A**). We invite feedback from investors, standard setters, research and civil society organizations, and other practitioners via written submission to info@impactfrontiers.org as well as participation in webinars and our online discussion board. The public consultation will close on **September 13th, 2024**.

According to the UN-backed Principles for Responsible Investment, "equity means people have fair access, opportunity, resources and power to thrive."[1] A social equity lens recognizes that populations can face structural barriers due to current and/or historic marginalization, and therefore targeted actions may be required to achieve fairness of treatment and outcomes.

The intended outcome of this project is to build consensus on a baseline level of individual competency and organization-level processes related to social equity that are simply good impact management practice, even for individuals and organizations without goals related to social equity. As a result of this effort:

- Impact investors understand how consideration of social equity can help them to realize their own impact goals; and
- Investors with the explicit goal of advancing social equity benefit from guidance and examples on how to assess whether or not what they are doing is working and improve their performance.

Impact management for social equity is at a nascent stage in part because the necessary expertise tends to be siloed across disciplines. Impact Frontiers therefore began by engaging the following social equity experts to review the full text of the Norms on the Impact Frontiers website through the lens of their respective fields of expertise and suggest revisions:

- **Erika Seth Davies:** Chief Executive Officer at Rhia Ventures and Founder of The Racial Equity Asset Lab (The REAL).
- **Tynesia Boyea-Robinson:** Founder, President and CEO, CapEQ.
- **Cathy Clark:** Faculty Director at The Center for the Advancement of Social Entrepreneurship (CASE) at Duke University's Fuqua School of Business and Founding Director of the CASE i3 Initiative on Impact Investing, along with team members Carrie Gonnella and Kandasi Griffiths.
- **Rebecca Fries:** CEO and Co-founder of Value for Women, along with team members Erica Berthelsen and Asya Troychansky.
- **Heather Krause, PStat:** Founder of We All Count Project for Data Equity.

[1] Principles for Responsible Investment. n.d. "Diversity, Equity, and Inclusion." PRI. https://www.unpri.org/sustainability-issues/environmental-social-and-governance-issues/social-issues/diversity-equity-and-inclusion.

Impact Frontiers then collected additional feedback through individual and group discussions with these expert partners. This document synthesizes their feedback into six cross-cutting themes and presents illustrative proposed changes to the Norms for each theme.

Overview of Themes

Theme # 1: Recognizing investors as stakeholders
While the Norms are intentionally written from the investor's perspective, experts noted that this framing inadvertently positions investors as "invisible observers" with a "neutral" perspective. To address this, they recommended explicitly acknowledging investors as stakeholders who both frame the impact management process and benefit from investments, and guiding investors to reflect on the values, cultural contexts, and potential biases that they bring to their work.

Theme # 2: Incorporating stakeholder voice
Experts suggested expanding the Norms' current guidance on stakeholder engagement to explicate a wider range of engagement. They recommended adapting existing participatory frameworks (e.g., The Participatory Investing Toolkit from Common Future) to help investors consider deeper levels of stakeholder engagement, consistent with their goals and resources.

Theme # 3: Shifting from "deficit-framing" to "asset-framing"
Experts noted that current guidance in the Norms defines stakeholders as "underserved" if they are experiencing particularly low levels of desired outcomes, often without interrogating the historical or structural factors driving those outcomes. This practice of defining people and communities by their challenges is known as "deficit-framing." The panel recommended shifting the Norms to an "asset-framing" approach that encourages investors to lead with stakeholders' desired outcomes, apply the concept of thresholds to identify which stakeholders might face challenges in achieving those outcomes, and dig deeper into the specific barriers stakeholders face due to historical and/ or current marginalization by customs, laws, and policies, in order to identify targeted actions that enable all stakeholder groups to achieve equitable outcomes.

Theme # 4: Grounding stakeholder segmentation in data equity
While experts agreed that segmenting stakeholders by socio-demographic characteristics is important to uncover outcome disparities among subgroups, they recommended clarifying the types of characteristics to consider (e.g., race, gender, and sexuality). Experts additionally recommended grounding this guidance in data ethics and equity principles to minimize unintended harm to marginalized stakeholders through collection and use of personal data.

Theme # 5: Applying equitable research methods
Experts noted that current guidance in the Norms on evaluating enterprise contribution overemphasizes randomized control trials (RCTs) as the "gold standard" method. Instead, they recommended explaining the strengths and limitations of a broader range of research methods considering both effectiveness, ethics, and equity implications.

Theme # 6: Addressing social equity in the "Risk" dimension
Experts identified a number of equity considerations implicit in the Norms' guidance around impact risk. They suggested making these considerations more explicit and adding a new risk type focused on the risk of perpetuating inequity.

Proposed Revisions by Theme

Theme #1: Recognizing investors as stakeholders

By design, the Norms are written from the investor's perspective. Investors can apply the Norms to increase their focus on the stakeholders and aspects of the natural environment experiencing impact resulting from investor and enterprise activities.

The expert review revealed an unintended consequence of this framing: investors referring to the Norms may understand themselves to be "invisible observers" and assume their own perspective to be the "default" or "neutral" one. They may miss an opportunity to consider their own potential implicit bias and the limits of their understanding when targeting impacts in communities of which they are not members. Expert feedback also highlighted the orientation of the Norms to "study down," referencing a term coined by anthropologist Laura Nader to describe people with power studying those without it.

The expert panel recommended that the Norms recognize investors as stakeholders who are both framing the impact management process and accruing value from investment activities. They also recommended adding guidance in the five dimensions of impact for investors to reflect on the values, cultural contexts, and biases that they may bring to their work.

Illustrative Content Proposed for Inclusion in the Norms:

Best practice in impact management is to define impact from the perspective of the stakeholders experiencing it. To understand the impacts they have on people and the planet, investors and enterprises therefore seek out and consider the perspectives of external affected stakeholder groups such as enterprise staff, consumers, and local community residents.

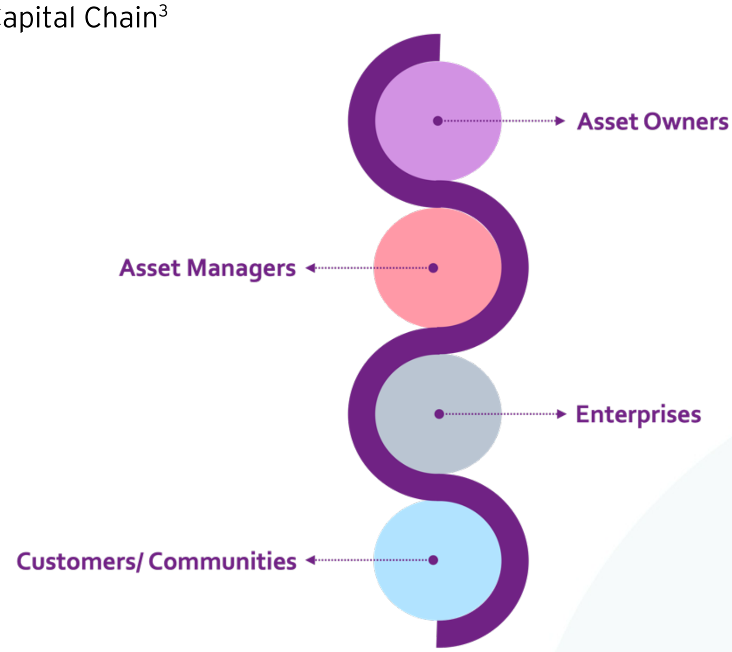
However, it is equally important for investors and enterprises to consider how their own backgrounds and perspectives shape their framing and assessment of impact. Every impact management framework is based on values and assumptions. Even before collecting and assessing impact data across the five dimensions, reflecting on their own circumstances, experiences, and cultural context can help investors and enterprises become aware of potential biases and knowledge gaps that may influence what data they decide to collect and how they interpret it.

The Made in Africa Evaluation concept (an evaluation approach defined by the African Evaluation Association) illustrates the role of worldview in the nature of measurement approaches. According to the African Evaluation Association, an assessment of well-being rooted in the Western value of individualism may focus on asking stakeholders questions about their own well-being. In contrast, an approach informed by the African value[2] of collectivism might focus on asking about the wellness of a stakeholder's children, their other relatives, and their neighbors. These two approaches would likely result in very different understandings of stakeholder well-being.

[2] As defined by the African Evaluation Association.

Not only do investors and enterprises shape the process of impact management, but they also accrue value from their activities. The Impact Capital Chain adapted from Rockefeller Philanthropy Advisors in Figure 1 below depicts the flow of capital from asset owners to customers and communities. Each of the entities in the chain affects and is affected by this flow of capital.

Figure 1. Impact Capital Chain[3]



Applying the concept of "studying up" (see Note below), a complete list of affected stakeholders under the "Who" dimension would include the following beneficiaries accruing value from investment activities in addition to customers and communities:

- **People affiliated with the enterprise** accruing value (financial and otherwise) from products and services;
- **People affiliated with the asset manager** accruing value (financial and otherwise) from investing in the enterprise; and
- **People affiliated with the asset owner** accruing value (financial and otherwise) from the capital they allocate for investment.

Expanding impact management approaches to "measure up" as well as "down" allows for a more complete understanding of impacts and can begin to illuminate the power dynamics between enterprises, investors, and other stakeholders (including tradeoffs between different types of impact, or between financial value and impact) as well as the broader structural factors that influence impact.

[3] Adapted from: Godekev, Steven, and Patrick Briaud. 2020. "Impact Investing Handbook: An Implementation Guide for Practitioners." Rockefeller Philanthropy Advisors. https://www.rockpa.org/wp-content/uploads/2020/10/RPA-Impact-Investing-Handbook-1.pdf.

Including enterprises and investors in the list of affected stakeholders can also encourage examination of the distribution of power within and across levels of the capital chain. For example, the homogeneity of asset managers (e.g., by gender and race/ethnicity) both influences their own decisions and also reflects decisions made by asset allocators.[4]

Note on "studying down" vs. "studying up"

In her 1972 article "Up the Anthropologist: Perspectives Gained from Studying Up," anthropologist Laura Nader challenged the traditional focus of anthropological study on marginalized or powerless communities and pushed researchers to expand their focus to powerful institutions, individuals, and cultures. She coined the terms "studying down" and "studying up" to distinguish the former from the latter:

- **Studying down:** A traditional research focus analyzing those with less power in society (e.g., historically and/or currently marginalized communities).
- **Studying up:** Shifting the research lens to examine those holding power and influence (e.g., institutions, decision-makers). This approach aims to understand how those in power shape the experiences of the less powerful.

The traditional "studying down" approach can inadvertently reinforce inequity by portraying marginalized groups in isolation, rather than in relation to aspects of the economic, social, and political landscape that cause their marginalization.

Applying this concept to impact management, if investors focus only on studying the stakeholders they are targeting, they may not acknowledge their own stakes – financial and otherwise – in investment decisions, the power dynamics of their role as a decision-maker affecting other stakeholders, and the ways that their particular contexts, cultures, histories, and beliefs inform their decision-making.

Examples of "studying up" in an investment context include the **Due Diligence 2.0 Commitment**; **The Investor Blueprint for Racial and Economic Equity** from PolicyLink, CapEQ, and FSG; the Racial Equity Asset Lab **Racial Equity Assessment Framework**; and the Value For Women **Gender Smart Nexus Gender Lens Investing Survey**.

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[4] Lyons-Padilla, Sarah, Hazel Rose Markus, Ashby Monk, Sid Radhakrishna, Radhika Shah, Norris A. "Daryn" Dodson, and Jennifer L. Eberhardt. 2019. "Race Influences Professional Investors' Financial Judgments." *Proceedings of the National Academy of Sciences* 116 (35): 17225–30. https://doi.org/10.1073/pnas.1822052116.

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Nader, Laura. 1972. "Up the Anthropologist: Perspectives Gained from Studying Up." ERIC Institute of Education Sciences. https://files.eric.ed.gov/fulltext/ED065375.pdf.

Theme #2: Incorporating stakeholder voice

Throughout the five dimensions of impact, investors are encouraged to engage with affected stakeholders and understand diverse perspectives to better assess their impact. For instance, guidance in the "What" dimension prompts investors and enterprises to collect feedback from stakeholders on which outcomes matter most to them.

The equity review suggested that stakeholder engagement can include a range of engagement levels beyond what is currently described in the five dimensions.[5] These levels span from informing affected stakeholders through to approaches that progressively shift decision-making authority toward affected stakeholders. Understanding these different strategies can help investors determine the best way to incorporate stakeholder voices given their resources and goals.

Experts suggested the Spectrum of Public Participation from the International Association for Public Participation and The Participatory Investing Toolkit from Common Future as useful frameworks for defining levels of stakeholder engagement.[6] Based on a review of current resources, though the same or related concepts exist in adjacent disciplines of participatory research[7] and evaluation[8], most investors are not aware of these, and none seem to be directly targeted at investors seeking to manage impacts.

[5] "Stakeholder engagement is the process used by an organization to engage relevant stakeholders for a clear purpose to achieve agreed outcomes. It is now also recognized as a fundamental accountability mechanism, since it obliges an organization to involve stakeholders in identifying, understanding and responding to sustainability issues and concerns, and to report, explain and answer to stakeholders for decisions, actions and performance" (AA1000 Stakeholder Engagement Standard).

[6] Both frameworks draw from the Ladder of Citizen Participation proposed by Sherry Arnstein in 1969.

[7] Bammer, Gabriele. 2020. "Stakeholder Engagement in Research: The Research-Modified IAP2 Spectrum." Integration and Implementation Insights. January 6, 2020. https://i2insights.org/2020/01/07/research-modified-iap2-spectrum/.

[8] Grills, Cheryl, Christopher D. Hill, Deanna Cooke, and Aisha Walker. 2018. "California Reducing Disparities Project (CRDP) Phase 2 Statewide Evaluation: Best Practices in Community Based Participatory Practice." Psychology Applied Research Center, Loyola Marymount University.

Experts recommended drafting a version tailored to the impact management context and explaining the implications of each engagement level for decision-making.

Illustrative Content Proposed for Inclusion in the Norms:

Investors managing their impacts on people and the planet often make decisions to address challenges for which they do not have lived experience. Incorporating stakeholder perspectives can lead to more informed decision-making which improves outcomes for organizations and their stakeholders.

Stakeholder engagement can take many forms, with different types of communication. Investors may engage with stakeholders directly or support enterprises to lead on engagement.

Understanding the full range of approaches to stakeholder engagement enables investors and enterprises to make an informed choice about which level and method of engagement is appropriate based on the needs, capacity, and expectations of the relevant stakeholders. It also alerts investors and enterprises to the potential for knowledge gaps in their framing of impact, which could put them at risk of focusing on impacts that are either not a priority for affected stakeholders or do not reflect the reality of stakeholder experiences.

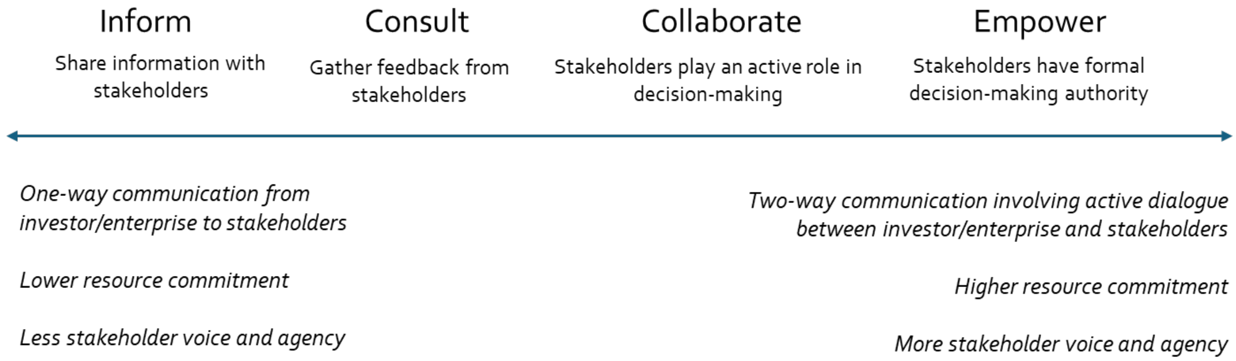
Engagement can be carried out in line with existing frameworks such as the AA1000 Stakeholder Engagement Standard which underlines the importance of profiling and mapping stakeholders to define the purpose and scope of the engagement.[9] This step is important to ensure a diversity of perspectives, recognizing that not all stakeholders are the same and may experience outcomes differently (especially in the context of historical and/or current marginalization).

Figure 2 below presents a spectrum of approaches to stakeholder engagement, adapted from frameworks used in the fields of civic engagement, participatory research, and evaluation. The approach to engagement used by investors and enterprises may change over time and engagement methods may differ depending on the stage of the investment process.

https://www.purposefulagingla.com/sites/default/files/Best%20Practices%20in%20Community%20Based%20Participatory%20Practice%202018.pdf.

[9] AccountAbility. 2015. *AA1000 Stakeholder Engagement Standard.* https://www.accountability.org/standards/aa1000-stakeholder-engagement-standard/.

Figure 2. A spectrum of stakeholder engagement in relation to impact management



See **Appendix B** for a more detailed elaboration of this spectrum, including examples of impact management activities, implications for decision-making processes, and reflection questions to help guide investors and enterprises when formulating their engagement strategies.

Note on non-engagement

Investors and/or enterprises may choose not to engage stakeholders, instead relying on desk research and secondary sources to define intended outcomes, often using outputs as proxy indicators.

When implementing a non-engagement approach, investors can consider:

- To what extent does third-party research represent the views of affected stakeholders, considering different stakeholder segments?
- Are secondary sources sufficient to understand how stakeholders may experience outcomes differently based on their social identity (e.g., race, gender, etc.)?
- What is the likelihood that the way we define outcomes and impacts does not align with the priorities of affected stakeholders?
- Do we have mechanisms to identify and manage unintended and/or negative outcomes? What channels do stakeholders have to express concerns or raise grievances?

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Theme #3: Shifting from "deficit-framing" to "asset-framing"

Currently, investors use the "Who" dimension of impact to maximize their impact by directing resources to the most underserved stakeholders. "Underserved" stakeholders are implied to be those who have the greatest need and could therefore experience the largest improvements in outcomes.

To determine which stakeholders are underserved, investors would need to apply the concept of outcome thresholds, which is introduced in the "What" dimension. In the context of impact management, thresholds demarcate the acceptable versus unacceptable – or sustainable versus unsustainable – ranges that outcomes can fall into.[10]

Putting the above concepts together, stakeholders are underserved when their outcome level is below the sustainability threshold. Stakeholders are more underserved, the greater the distance between their baseline outcome level and the sustainability threshold.

Expert feedback suggests that the connection between thresholds and underserved stakeholders is not spelled out as clearly or explicitly as it could be in the Norms. Additionally, the guidance in the "Who" dimension to view stakeholders as underserved or well-served is an example of "deficit-framing," or defining people and communities by their challenges. This framing can be stigmatizing and can limit investors' understanding of impact by presenting the remediation of deficits as the primary goal.[11] This limitation is reinforced by language in the "What" dimension that sometimes describes thresholds as the range of performance considered "good enough" or "acceptable" rather than an aspirational target.

Expert reviewers also identified another substantive gap in the "Who" dimension that is a critical component of "asset framing": understanding why some stakeholders experience challenges. In many cases, stakeholders are not "underserved" by chance but because political, economic, and social institutions were designed to exclude or disadvantage them,

[10] For those not familiar with the concept, a social or ecological threshold defines the range of performance that is considered positive / sustainable versus negative / unsustainable. These ranges are set with reference to social norms or planetary limits that have been identified through scientific research or political consensus. From a measurement perspective, this means that outcomes for people are sustainable if they are within the acceptable range determined by societal thresholds, and outcomes for the natural environment are sustainable if they are within the acceptable range determined by ecological thresholds. Thresholds are critical contextual reference points for entities assessing whether an outcome is sustainable or unsustainable. They are distinct from other types of targets that entities might set themselves which are not explicitly linked to a scientific assessment of what constitutes a sustainable outcome.

[11] Shorters, Trabian. 2019. "The Power of Perception: A Beginner's Guide to Asset-Framing." ChangeAgent: The Journal of the Communications Network. https://changeagent2019.comnetwork.org/2019/the-power-of-perception/.

whether implicitly or explicitly. As described in the Spectrum of Community Engagement to Ownership, a tool developed to assess community engagement efforts:

> "Current systems… have been historically designed to exclude certain populations, namely low-income communities, communities of color, women, youth, previously incarcerated people, and queer or gender non-conforming community members. This understanding is important because if concerted efforts are not made to break down existing barriers to participation, then by default marginalization occurs."[12]

Even if investors disaggregate stakeholders by socio-demographic characteristics, if they do not account for the historical, political, and other structural barriers to achieving equitable outcomes for particular subgroups, they may fail to target and deliver their interventions effectively and could perpetuate or widen existing disparities.

Expert reviewers recommended:

a) Incorporating the concept of "asset framing" in the "Who" dimension by leading with stakeholder aspirations and desired outcomes, clarifying how to apply the concept of thresholds to define outcome aspirations and identify stakeholders who face barriers to achieving them, and retiring the term "underserved"; and

b) Including guidance on applying a structural lens – that is, "a shift in focus from people and individuals to structures and institutions"[13] – to identify the specific barriers stakeholders face due to historical and/ or current marginalization by customs, laws, and policies, and explaining how addressing these barriers can enhance impact for all stakeholders.

Illustrative Content Proposed for Inclusion in the Norms:

<u>3a. Using thresholds to define stakeholder aspirations and identify those facing barriers to achievement</u>

The concept of thresholds can help define the level of outcome that stakeholders aspire to achieve. While research on thresholds is nascent and stakeholder perspectives on the desired level of performance for a given outcome may vary, thresholds can provide an important reference point for investors when setting impact goals.

Assessment of what constitutes a sustainable or desired outcome may incorporate scientific data (e.g., data on planetary limits for greenhouse-gas emissions) and social data (e.g., living wage analysis) in addition to stakeholder perspectives. Understanding and incorporating the desires of affected stakeholders is vital to ensure thresholds effectively advance stakeholder well-being.

[12] González, Rosa. n.d. "The Spectrum of Community Engagement to Ownership." Facilitating Power. https://movementstrategy.org/wp-content/uploads/2021/08/The-Spectrum-of-Community-Engagement-to-Ownership.pdf.

[13] powell, john a. 2013. "Deepening Our Understanding of Structural Marginalization." Poverty & Race 22 (5): 3–13. https://belonging.berkeley.edu/sites/default/files/Sept-Oct%202013%20PRRAC%20Disparities%20Article.pdf.

Once an outcome threshold is defined, investors can assess the level of outcome experienced by stakeholders and identify stakeholders facing barriers to achieving desired outcomes.

Note on "deficit-framing" vs "asset-framing"[14]

While many investors and/or enterprises may have an explicit commitment to reaching the stakeholders experiencing outcomes furthest below thresholds, falling into "deficit-framing" while pursuing this mission can inadvertently denigrate the very people being targeted for positive impact.

"Deficit-framing," a term introduced by social entrepreneur Trabian Shorters, is the practice of "defining people by their challenges, ignoring their aspirations or contributions, then remediating them to be less burdensome on society." This can perpetuate an association between people and problems, rather than focusing on and addressing the systemic drivers behind these problems. Put differently, it is important to frame the obstacles people face to achieving desired outcomes as systemic shortcomings rather than intrinsic shortcomings of subgroups of stakeholders.

Instead, Shorters proposes an "asset-framing" approach focused first on stakeholder aspirations. Applying this approach, investors can consider:

- Stakeholder aspirations or identified priority outcomes;
- Structural barriers that stakeholders may face to achieving these aspirations; and
- How investment activities might support stakeholders in overcoming those barriers.

Strategies such as Asset Based Community Development[15] (ABCD) demonstrate how investors and enterprises might put "asset-framing" into practice. An ABCD approach shifts members of targeted communities from consumers of products and services to contributors designing solutions (e.g., a character-based lending model that leverages community leaders' relationships with local applicants).

<u>3b. Applying a structural lens to understand historical and/or current marginalization</u>

Many stakeholder groups experience outcomes levels below threshold, or outcome disparities, because they are historically and/or currently marginalized by laws and public policies, institutional practices, and cultural beliefs. Table 1 presents global examples of historical and/or current marginalization in the context of illustrative investor impact goals.

[14] Shorters, Trabian. 2019. "The Power of Perception: A Beginner's Guide to Asset-Framing."
[15] Developed by John L. McKnight and John P. Kretzmann at the Institute for Policy Research at Northwestern University.

Table 1. Historical and/ or current marginalization around the world

Stakeholder Group	Stakeholder Desired Outcome	Structural Barrier(s) to Achievement	Outcome Disparity
Roma students in Bulgaria	Quality education	Many Roma students are forced to study in understaffed, physically neglected schools with insufficient infrastructure due to segregation and stigmatization.	Roma students complete secondary school at a much lower rate than the general population.[16]
Ethnic ("Zainichi") Koreans in Japan	Quality employment	Koreans living in Japan were historically denied Japanese citizenship, lived in segregated communities, and were forced into low-wage labor.	"Zainichi" Koreans experience higher unemployment rates than the general population.[17]
LGBTQ+ people in Nigeria	Freedom of expression	LGBTQ+ expression is criminalized and punishable by up to 16 years in prison.[18]	LGBTQ+ people experience high rates of violence and abuse from Nigerian authorities.
Women in the United Kingdom	Equal pay	Lack of affordable childcare, inadequate parental leave, and occupational segregation to lower-paying sectors such as care work, retail, and administration limit advancement opportunities.	Despite equal pay legislation, women in the UK continue to earn less than men on average.[19]
Black birthing people in the United States	Healthy maternal and infant outcomes	The legacy of medical and residential segregation, housing discrimination, and economic exclusion compound to drive pregnancy-related inequities.[20]	The maternal mortality rate for Black birthing people is three times that of white birthing people.[21]

[16] Minority Rights Group. n.d. "Roma in Bulgaria." Minority Rights Group. https://minorityrights.org/communities/roma-2/#:~:text=Current%20issues.

[17] Cho, Young-Min. 2016. "Koreans in Japan: A Struggle for Acceptance." Law School International Immersion Program Papers. https://chicagounbound.uchicago.edu/cgi/viewcontent.cgi?article=1026&context=international_immersion_program_papers.

[18] "Nigeria | Outright International." n.d. Outrightinternational.org. https://outrightinternational.org/our-work/sub-saharan-africa/nigeria.

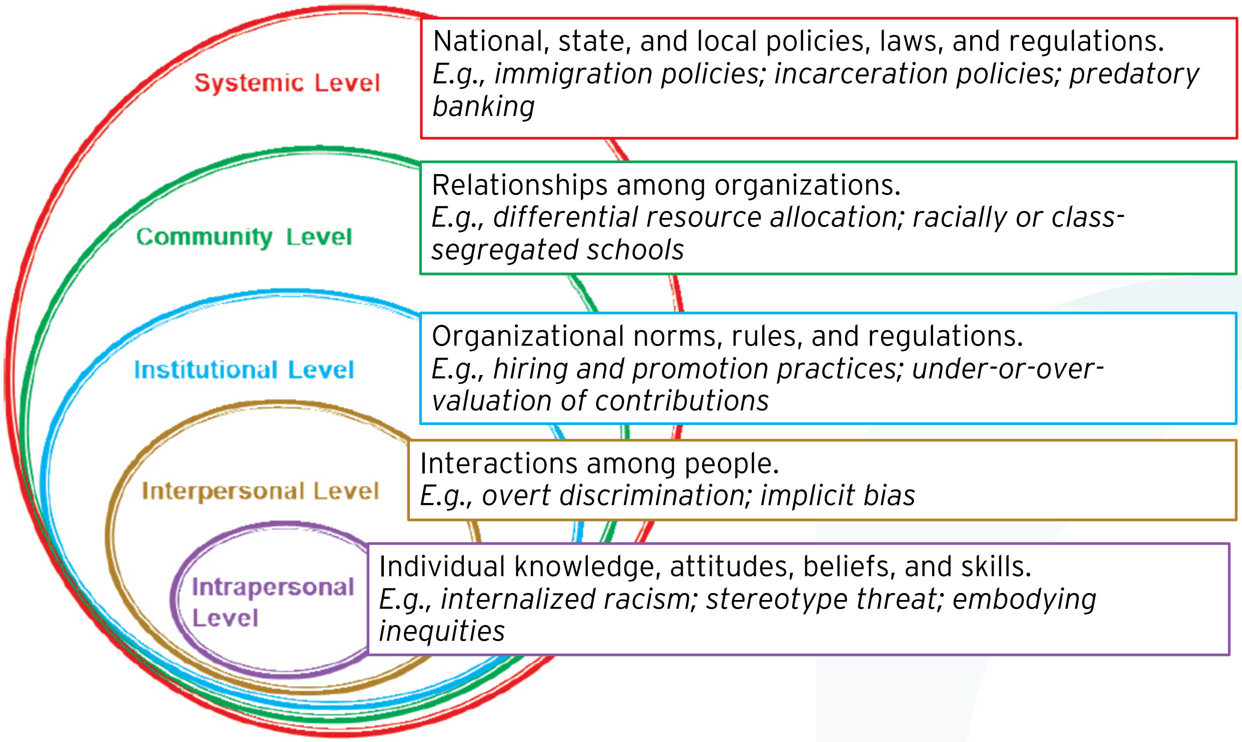
[19] Office for National Statistics. 2023. "Gender Pay Gap in the UK - Office for National Statistics." Www.ons.gov.uk. November 1, 2023. https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2023.

[20] Hailu, Elleni M., Sai Ramya Maddali, Jonathan M. Snowden, Suzan L. Carmichael, and Mahasin S. Mujahid. 2022. "Structural Racism and Adverse Maternal Health Outcomes: A Systematic Review." *Health & Place* 78 (102923). https://doi.org/10.1016/j.healthplace.2022.102923.

[21] Centers for Disease Control and Prevention. 2024. "Working Together to Reduce Black Maternal Mortality." Www.cdc.gov. April 8, 2024. https://www.cdc.gov/healthequity/features/maternal-mortality/index.html.

Applying a structural lens means identifying ways in which the customs, laws, and policies in a specific geography combine to create outcomes that differ systematically across stakeholder subgroups segmented by social identifiers – even if no one implementing them is intrinsically motivated by bias against any subgroup. Figure 3 differentiates structural racism (i.e., institution-level, community-level, and systemic-level) from intra- and interpersonal bias, with examples from the United States.

Figure 3. Examples of racism constructs in the United States context[22]



By applying a structural lens to their area of influence, investors can recognize how historical and/or current marginalization on the basis of social identity influences stakeholder outcomes and thus gain a better understanding of the opportunities, obstacles, and risks for achieving their intended impacts.

Investors can also apply a structural lens to their own investment practices. Embedded discrimination in traditional financial management methodologies can cause investors to perpetuate bias and generate inequitable outcomes even if they have no intention of doing so. For example, the widely accepted practice of using credit history and scores in mortgage underwriting in the United States disproportionately excludes Black households from homeownership due to the influence of historical and current discriminatory practices such as redlining, employment exclusion, and predatory lending on credit scores. In contrast, using alternative data such as rental payment history and cash flow data can improve predictions of

[22] McLeroy, Kenneth R., Daniel Bibeau, Allan Steckler, and Karen Glanz. 1988. "An Ecological Perspective on Health Promotion Programs." *Health Education Quarterly* 15 (4): 351–77. https://doi.org/10.1177/109019818801500401.

future mortgage performance, while also improving access to mortgages for Black homebuyers.[23]

Incorporating a structural lens helps investors tailor their strategies to better meet the needs of all stakeholders, not only those facing the most obstacles. This is because investments designed to benefit historically and/ or currently marginalized stakeholders often end up benefitting other segments as well (a result known as the "curb-cut effect").[24] When considering where to allocate resources to maximize impact, while the amount of resources may be finite, impact is not zero-sum—strategies that address exclusion for one stakeholder group have the potential to expand opportunity for many others.

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[24] Blackwell, Angela Glover. "The Curb-Cut Effect." *Stanford Social Innovation Review* 15, no. 1 (2016): 28–33. https://doi.org/10.48558/YVMS-CC96.

Theme #4: Grounding stakeholder segmentation in data equity

Investors referencing the "Who" dimension are encouraged by the Norms to collect socio-demographic and behavioral data, which can help segment stakeholders into actionable groups so they can better target solutions to fit stakeholder needs. While expert reviewers agreed on the importance of stakeholder segmentation to understand diverse perspectives, they noted that current guidance for segmentation does not explicitly name social identifiers other than gender (e.g., race / ethnicity, sexuality, religion, physical and mental ability) as socio-demographic characteristics or address the concept of intersectionality. Additionally, guidance elsewhere in the "What" and "How" dimensions sometimes refers generically to "stakeholders" as a monolith – unified and uniform in their experiences and views. While the term "stakeholders" is sometimes used as a shorthand for brevity, distinct subgroups of stakeholders often have very different experiences and views on these data categories.

Without understanding the potential social identifiers encompassed by "socio-demographic characteristics" (e.g., race, gender, sexuality, religion, physical and mental ability, etc.) as well as the intersections between these identities, investors may overlook categories of segmentation that could uncover inequities in outcome levels between subgroups, among other insights.

The expert panel also noted that collecting and using demographic data without applying data equity and ethical research principles could cause unintended harm to marginalized stakeholders. For example, collecting and analyzing data on LGBTQ+ status can uncover disparities in outcomes, but in a country that criminalizes identifying as LGBTQ+, this could compromise stakeholder safety if data privacy is breached. Understanding ethical and equity considerations in data processes can help investors collect and use data to better serve marginalized stakeholders without harming them.

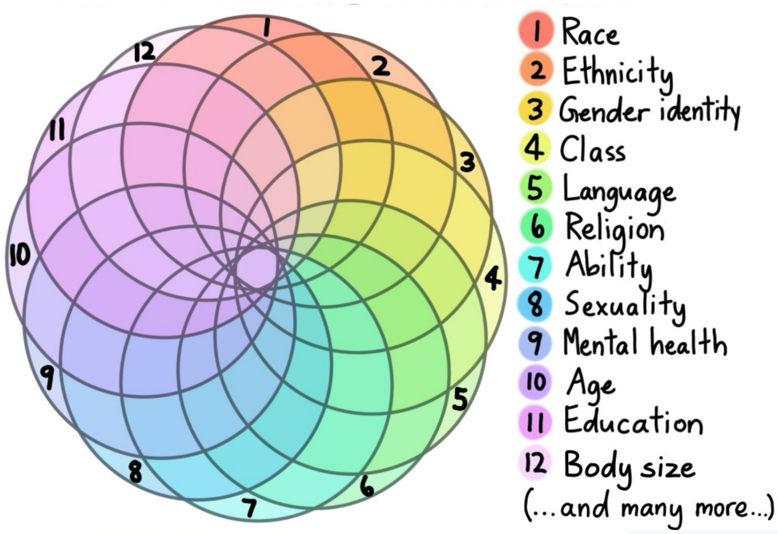
Lastly, the expert panel noted that while stakeholder segmentation is practiced more widely now than in the past, doing so does not in itself advance social equity. This practice only advances social equity if it generates insights that then inform decisions. One expert noted that collecting social identity data without following through to identify insights and make decisions based on that data does more harm than good because it further entrenches those social identifiers as being associated with challenges without attempting to overcome those challenges.

Illustrative Content Proposed for Inclusion in the Norms:

Segmenting stakeholders and disaggregating data by socio-demographic characteristics can uncover valuable insights on how different stakeholder groups experience outcomes. Investors can use social identity data to understand the unique experiences of stakeholder segments, identify inequities in outcomes that might otherwise remain hidden, better address stakeholder needs, and avoid "leaving behind" those subgroups that are most historically and/or currently marginalized.

Understanding how multiple social identities in combination (e.g., particular combinations of gender, race, and religion) can shape experiences of outcomes is particularly important for uncovering and addressing inequities. Figure 4 visualizes overlapping social identities to illustrate this concept of multiple social identities creating unique lived experiences, known as intersectionality. Applying an intersectional lens to stakeholder segmentation can help investors consider how identity-related barriers compound to drive inequitable outcomes.

Figure 4. Intersectionality of social identities[25]



However, segmentation and disaggregation alone will not ensure equitable outcomes. Effectively leveraging social identity data requires a clear and actionable purpose, an understanding of which social identifiers might be appropriate in a given setting, and thoughtful consideration of the benefits and risks of data collection and use from the perspective of affected stakeholders. Otherwise, investors risk unintentionally reinforcing the very marginalization they aim to overcome.

The following questions can guide decisions on how to segment stakeholders and guide investors and enterprises in articulating the intended purpose and use of social identity data:

- Which insights do we hope to gain that will effectively inform our decision-making?
- Which data is needed to unlock these actionable insights?
- How will collecting and using this data impact the people contributing it? Will the benefits to them outweigh the risks to them?

Incorporating ethical and equity guidelines throughout the data process is important to be able to surface actionable insights from social identity data while minimizing harm to stakeholders. The following resources provide detailed guidance on data ethics and equity standards:

- **Data Ethics Guidebook:** This Guidebook from Informing Change offers a framework to assess and respond to ethical issues throughout the data process.

[25] Duckworth, Sylvia. 2020. *Intersectionality*. Infographic. https://www.flickr.com/photos/sylviaduckworth/50245846893/.

- **A Human Rights-based Approach to Data:** This guidance from the United Nations Office of the High Commissioner on Human Rights provides a preliminary set of principles, recommendations, and best practices for a Human Rights-Based Approach to Data with a focus on data collection and disaggregation.
- **Informed consent resources:** This page from the University of Oxford provides an overview of the concept of informed consent (an ethical research approach to ensure stakeholders providing data do so freely with full understanding of the impacts to them) as well as relevant resources to follow an informed consent process.
- **Principles for Advancing Equitable Data Practice:** This report from Urban Institute applies Institutional Review Board (IRB) principles for protecting human subjects to frame a person-centered approach to data acquisition, processing and analysis, dissemination, and disposition.
- **"We Need to Fill in the Blanks on our Social Identity Data":** This post from We All Count walks through transparent communication around social identity data including what identity categories were selected, what category choices were defined, and by whom.

Note on disaggregating data by gender and/or sex

Regardless of geographic or impact focus, women and girls typically comprise a significant portion of stakeholders and gender can likely be considered a cross-cutting issue. Therefore, segmenting stakeholders and disaggregating outcome data by gender is worth consideration by all investors and enterprises. The 2X Criteria provide a framework for gender-lens investing that applies across asset classes, markets, and regions and can be used to set targets and assess practices.

When disaggregating data, it is important to distinguish between sex (typically assigned at birth based on biological and physiological characteristics) and gender (behavior, expression, and identity that may or may not align with assigned sex at birth). Being clear about how these labels are being defined and used (e.g., if using one as a proxy for the other) and acknowledging any limitations can help avoid misrepresentation or oversimplification of results.

Data on sex and gender identity may still be considered sensitive information depending on context (e.g., gender non-conforming expression and identity) and ethical guidelines remain relevant when weighing the benefits and risks of collecting and using such data.

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Theme #5: Equitable research methods

The "Contribution" dimension of impact includes guidance on different methods for comparing the level of outcome performance to what would have happened anyway (known as the counterfactual).[26] The expert panel indicated that current guidance incorrectly elevates a specific kind of experimental research design known as randomized control trials (RCTs) as providing the strongest evidence in general, regardless of context or learning objective.

RCTs provide the strongest evidence only for a particular research question, which is the causal effect of one product, service, policy, or other intervention on one outcome, on average across a population. RCTs do not provide information about the distribution of benefits across the population or among subgroups.

Further, RCTs are the most "experimental" of social science research methods, and as such require great care to avoid research practices that exacerbate power imbalances or are outright unethical. Without understanding the strengths and limitations of different methods, investors may choose an approach that cannot effectively or ethically answer the contribution question they are exploring, resulting in incomplete or incorrect information or creating equity issues.

Experts recommended revising guidance on research and evaluation methods in the "Contribution" dimension to help investors and enterprises weigh the costs and practicality of different approaches to assessing contribution, including from an equity perspective.

Illustrative Content Proposed for Inclusion in the Norms:

To estimate the outcome counterfactual, enterprises and investors can use several approaches that vary in rigor and costs. These include:

- **Stakeholder feedback:** Stakeholder feedback requires consulting the individuals (or communities) affected by the enterprise's activities to gain a nuanced understanding of the drivers behind the outcome (e.g., the enterprise's activities, external factors,

[26] Counter-factual refers to the outcome in the period, minus the outcome that would have been observed anyway. The Norms use the word 'Contribution' to cover all of the ways in which the counterfactual can be assessed.

government interventions, and cultural practices). If deployed well — covering a representative and well-chosen sample and different points of view — stakeholder feedback can imply, but not prove, possible counterfactuals.

- **Market research:** By taking a thorough look at an intervention's context, market research can be used to suggest – but again, not prove – possible or likely counterfactuals. This method requires a deep analysis of secondary resources (e.g., industry reports) to identify what else may be driving the outcome — from other organizations, to government interventions, to external factors (e.g., weather, economic conditions), to individuals' unobservable characteristics (e.g., motivation, cultural practices).
- **Experimental and quasi-experimental research:** Enterprises can source depth contribution estimates through quantitative techniques. These include methods such as randomized control trials (RCTs) that measure the difference in outcomes over time among two randomly assigned groups: A treatment group (i.e., receives the intervention such as a product) and a control group (i.e., does not receive the intervention, or receives a placebo or another type of intervention).[27]
- **Theory-based evaluation:** This involves critically examining the assumptions underlying the impact pathway, from inputs to outcomes and impacts.[28] Theory-based designs aim to build a credible counter-factual by using a mix of both qualitative and quantitative methods, such as surveys and expert opinions. Theory-based evaluation encompasses many different approaches such as Contribution Analysis that provide a step-by-step framework to inferring causality.

Enterprises and investors may seek to evaluate their contribution to the depth of change in an outcome for several different reasons, such as:

- Strategic learning or tactical decision-making – for example to better understand the enterprise's unique value proposition; and
- Generalisable knowledge – for example to prove that a particular innovation works before scaling it up in other geographies.

Investors and enterprises aiming to generate insights into their impacts that are generalizable and replicable will often favor more quantitative research methods that provide statistically robust estimates. However, such approaches typically require significant resources and relatively fixed interventions, which are often not feasible in the enterprise context. Experimental and quasi-experimental designs may be especially well-suited to some sectors (e.g., healthcare) that require clinical proof, including for regulatory approval.

In practice, investors and enterprises often find research done elsewhere and extrapolate the results to their own situation.[29] When doing so, it is important to assess the generalizability of

[27] The randomization ensures that the two groups are similar on observable (e.g., income) and unobservable (e.g., self-motivation) characteristics.

[28] Mountain, Alan. 2009. "Theory-Based Approaches to Evaluation: Concepts and Practices | Better Evaluation." Www.betterevaluation.org. January 3, 2009. https://www.betterevaluation.org/tools-resources/theory-based-approaches-evaluation-concepts-practices.

[29] Sources of evidence-based research include J-Pal's evaluations, Innovations for Poverty Action's research and 3ie's systematic reviews.

the original research by considering the study's methodological rigor, population group, country setting, and type of intervention. For example, if an Indian enterprise relied on an estimate from an impact study that took place in Argentina – a country with significantly different socio-economic characteristics – then the generalizability of this estimate may be low, rendering it unusable. Enterprises should exercise caution in extrapolating research results to other settings and complement such extrapolation with stakeholder feedback and market research.

Market research and stakeholder feedback can yield valuable insights to help investors and enterprises learn about and improve their impact (e.g., by exploring questions related to understanding what else may be driving the outcome or building a "good enough" counterfactual scenario). Moreover, these methods can be mutually reinforcing, especially in the context of a theory-based design, and can be combined to produce complementary insights as well as to strengthen the credibility of the counterfactual estimate.

Adhering to ethical practices and equitable participation can help investors and enterprises minimize bias in how research is conducted and who it includes. While considerations of equity and ethics apply to any stakeholder interactions, some approaches – such as RCTs – require careful design to ensure the benefits of the research (e.g., learning) outweigh the risks (e.g., excluding people from accessing an innovation from which they would benefit).[30]

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Theme #6: Addressing social equity in the "Risk" dimension

The "Risk" dimension of impact helps investors assess the likelihood that impact will be different than expected, and that the difference will be material from the perspective of people or the planet experiencing impact. Currently, investors are encouraged to consider nine types of impact risks that may undermine the expected delivery of an outcome:

1	**Evidence risk**	→ The probability that insufficient high-quality data exists to know what impact is occurring
2	**External risk**	→ The probability that external factors disrupt our ability to deliver the impact
3	**Stakeholder participation risk**	→ The probability that the expectations and/or experience of stakeholders are misunderstood or not taken into account
4	**Drop-off risk**	→ The probability that positive impact does not endure and/or that negative impact is no longer mitigated
5	**Efficiency risk**	→ The probability that the impact could have been achieved with fewer resources or at a lower cost
6	**Execution risk**	→ The probability that the activities are not delivered as planned and do not result in the desired outcomes
7	**Alignment risk**	→ The probability that impact is not locked into the enterprise model
8	**Endurance risk**	→ The probability that the required activities are not delivered for a long enough period
9	**Unexpected impact risk**	→ The probability that significant unexpected positive and/ or negative impact is experienced by people and the planet

Feedback from experts suggests that the existing "External risk," "Stakeholder participation risk," "Drop-off risk," and "Unexpected impact risk" types are particularly important for investors to consider from an equity perspective. However, without a clear explanation of these risk types in an equity context, investors may miss the opportunity to assess factors that can undermine equity.

In addition, the nine types of risk above do not specifically cover the risk of perpetuating existing inequities. Without considering this risk, investors may achieve positive impacts for stakeholders overall, while unwittingly reproducing outcome disparities among stakeholder subgroups. For instance, investors may increase incomes for a group of stakeholders receiving unacceptably low incomes, while still maintaining or increasing the gender wage gap.

Experts suggested incorporating equity considerations for existing risk types in the "Risk" dimension. They also suggested adding a tenth "inequity" risk type to guide investors in evaluating their risk of not achieving enduring equitable outcomes and/or unintentionally causing harm through perpetuating inequities.

Illustrative Content Proposed for Inclusion in the Norms:

Evaluating impact risk from an equity perspective can not only help investors anticipate obstacles to achieving more equitable outcomes but can also help avoid inadvertently perpetuating existing social inequities.

Because advancing equity can require significant public and political support for change, applying an equity lens to "Drop-off risk" and "External risk" can help identify obstacles to achieving enduring equitable impacts. Depending on the priorities and alliances of critical decision-making bodies such as elected officials, interest groups, and unions, there may be a risk of immediate resistance or eventual retrenchment – whereby advancements toward social equity are initially achieved only to be undermined later. To increase the likelihood of lasting equitable impacts, investors can analyze the historical and current landscape of key players and determine where to engage to mitigate potential resistance (e.g., securing the support of key allies or identifying mechanisms to hold decision-makers accountable).

"Stakeholder participation risk" and "Unexpected impact risk" are also particularly salient risk types to consider from an equity perspective. If investors do not engage with diverse, representative stakeholders, and particularly if they overlook the perspectives of historically and/or currently marginalized stakeholders, investors may make decisions expecting to achieve sustainable outcomes for all targeted stakeholders and end up achieving intended outcomes for only a few subgroups. This could result in unintentionally causing harm by exacerbating existing inequities. For instance, an investment strategy to increase incomes for all stakeholders below the targeted income threshold that is primarily informed by male stakeholder perspectives could end up only increasing incomes for men, thus widening gender income disparity. Mapping affected stakeholders and targeting engagement efforts to historically and/ or currently marginalized groups can help mitigate this risk.

Finally, considering a tenth type of impact risk specifically focused on inequity can help investors explicitly consider the likelihood that outcomes will be equitable for all stakeholders:

Inequity risk →	The probability that even if stakeholders experience positive outcomes, disparities persist and/or are further entrenched.

Without considering this risk type, investors and enterprises may target – and achieve – positive effects for directly affected stakeholders in a way that still perpetuates structural inequities. For example, an enterprise providing income streaming services may improve financial resilience for individuals on its platform, but risk legitimizing the systemic issue of low-paid labor practices, which often disproportionately affect women, communities of color, and migrant workers.

Mitigating strategies can include segmenting stakeholders by social identifiers to better target interventions and disaggregating data by demographic characteristics to identify and address disparities. Investors and enterprises can also apply a structural lens to understand historical and/or current marginalization when setting their impact goals and strategies.

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Consultation Questions

We welcome your feedback on any aspect of this effort. If it would be helpful to have a set of prompts to respond to, please refer to the below.

Overall	1. What feedback do you have on the overall approach of the project? 2. Are there other themes we should consider? 3. What other changes relating to social equity would you suggest for the Norms? 4. Which other resources should we reference?
Theme #1 Investors as stakeholders	5. Are there exemplary cases in which investors did a particularly good job identifying their values, assumptions, and possible biases prior to engaging with investee enterprises and affected stakeholders, that we could profile and share as part of the Norms? 6. Are there cases in which investors included themselves in an impact management framework not only as actors but also as beneficiaries accruing value (financial and otherwise)?
Theme #2 Incorporating stakeholder voice	7. Do the four levels of stakeholder engagement make sense to you? How would you refine or add to them? 8. What examples have you seen of investors engaging at different levels of the framework? Are there any that you would recommend for a case study (e.g., an example of an investor modifying their selected outcome indicators based on stakeholder feedback)?
Theme #3 Grounding stakeholder segmentation in data equity	9. Are the terms "social identity" and "social identifiers" clear to you and others in your regional and/or sectoral context? Are there other terms you would suggest using instead? 10. What examples have you seen of segmenting stakeholders by social identifiers to identify and reduce inequities? Are there any that you would recommend for a case study? 11. Do you agree with the recommendation to always consider disaggregating data by gender? 12. What examples have you seen of disaggregating data by social identifiers that follow principles of data ethics and/ or equity? Are there any you would recommend for a case study?
Theme #4 Shifting from "deficit-framing" to "asset-framing"	13. Do you agree with the proposed reorienting of guidance around "asset-framing"? 14. Do you have an example of investors applying a structural lens to inequitable outcomes as part of their impact management approach?
Theme #5 Equitable research methods	15. What examples have you seen of impact evaluations that incorporate equity considerations in their research design and implementation?
Theme #6 Addressing social equity in the "Risk" dimension	16. Do you agree with adding "Inequity Risk" as a separate risk type? 17. What examples have you seen of mitigating the risk of perpetuating inequities in outcomes? Are there any that you would recommend for a case study?

Appendices

Appendix A: Context and Scope

The Norms of impact management were developed through the Impact Management Project, a global forum to build consensus around impact management that ran from 2016 to 2021. These Norms provide a common logic to help enterprises and investors understand their impacts on people and the planet so that they can make data-driven decisions that reduce the negative and increase the positive.

These resources migrated to Impact Frontiers[31] following IMP's conclusion in 2021 and continue to serve as a reference for thousands of practitioners across geographies and asset classes. Though the Expert Panel reviewed all content in the Norms section of the Impact Frontiers website, the majority of their feedback focused on the text that explicates the five dimensions of impact.

Figure 5. Norms overview

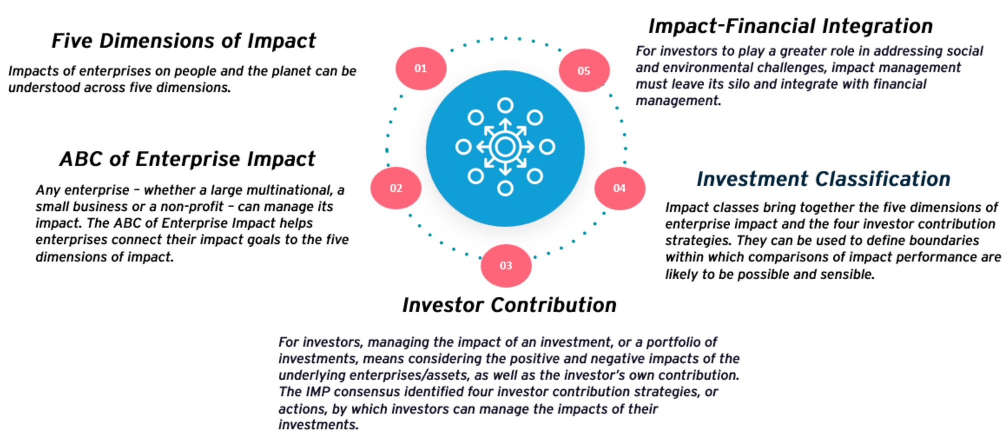

Table 2. The five dimensions of impact

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

[31] See Impact Management Norms, available at https://impactfrontiers.org/norms/

Appendix B: Four Levels of Stakeholder Engagement and Associated Considerations

Engagement Level	Example Engagement Methods	Decision-Making Authority	Reflection Questions
Inform Information about impact is shared with stakeholders, after decisions have been made.	• Reports • Websites • Newsletters • Flyers and fact sheets • Social media • Media (e.g., videos)	The investor and/or enterprise chooses which impacts to prioritize and to report based on their own perspective. Stakeholders can access performance results but do not have the opportunity to provide feedback.	• Is information shared transparently with all affected stakeholders? • Has bias been minimized in the selection of what is reported? • How has our framing of impact influenced our assessment of performance?
Consult Feedback is gathered from stakeholders to shape the understanding and assessment of impact.	• Surveys • Focus groups • Interviews • Workshops • Social media	The investor and/or enterprise decides which outcomes might be important based on their own perspective. Stakeholders can provide feedback on how these outcomes should be prioritized, which the investor and/or enterprise takes into consideration.	• Have we included the perspectives of stakeholders whose experience of outcomes may differ depending on their social identity? • Is our approach to sampling equitable and representative? • Is our mechanism of collecting feedback more accessible to some stakeholders than others? • If feedback does not support our initial hypothesis, are we willing to change it?
Collaborate Stakeholders play an active role in shaping decisions about impact.	• Community forums • Partnerships with civil society and public bodies • Multi-stakeholder initiatives • Advisory panels • Representative organizations (e.g., trade unions)	Stakeholders play an active role in constructing the investor's and/or enterprise's impact thesis, and/or deciding what results to report and how. The investor and/or enterprise makes decisions in partnership with stakeholders.	• To what extent does the group we are engaging with represent affected stakeholders? • If participants disagree with each other or with us, how will we proceed? • Are we willing to commit the resources required to sustain an ongoing partnership?

Engagement Level	Example Engagement Methods	Decision-Making Authority	Reflection Questions
			• How will we ensure we are not placing an undue burden on participants? • Have we built enough trust with participants for them to feel comfortable freely expressing their views?
Empower Affected stakeholders are given authority to make meaningful decisions on managing impacts.	• Formal participation in decision-making bodies (e.g. Boards) • Tripartite governance structures • Joint ventures • Golden shares	Stakeholders have decision-making authority based on their own perspectives. The investor provides input or institutional leadership at the request of stakeholders.	• What resources are required to enable marginalized community members to participate, and are we willing to provide them? • Do stakeholders have adequate resources to own and manage this process successfully? • Are we supporting with leadership, expertise, or professional skills where needed?

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Impact Frontiers is a learning and market-building collaboration for investors seeking to manage their social and environmental impacts and incorporate impact into investment decision-making. We provide resources, space for community discussions, and a cohort model that supports learning by doing.

We create practical tools and peer-learning communities that support investors in building their capabilities for managing impact and integrating impact with financial data, analyses, and processes. We lead with questions and facilitate interactions that help investors come up with their own answers, based on their own strategy, context, and data.

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