

# The *True Sustainability Index*™

The World's First Application of *Context-Based Sustainability*  
Concepts to ESG Metrics and Analytics



*A Brief Introduction*  
*March, 2012*

# Introduction

- The capital markets lack any sort of ESG metrics or indices for measuring sustainability performance that are:
  - ✓ Context-based, as recommended by GRI and others
  - ✓ Literal or authentic in their assessments of sustainability performance
- A general specification for context-based sustainability metrics was developed several years ago:
  - ✓ By Mark W. McElroy, Ph.D. at the Center for Sustainable Organizations
  - ✓ Resulting in a prototype for rating and ranking the sustainability performance of publicly-traded companies known as the *True Sustainability Index*®

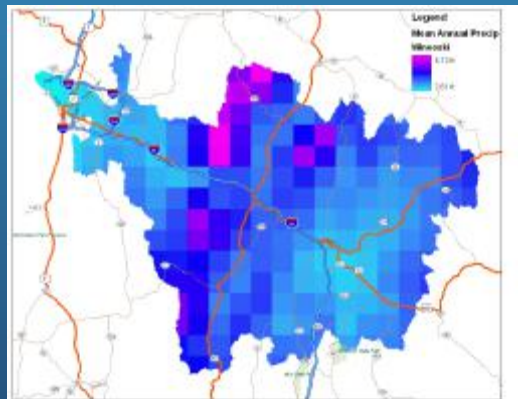
# Introduction (cont.)

- The general specification for context-based metrics developed by McElroy in 2005 called for:
  - ✓ Interpreting the sustainability performance of an organization in terms of what its impacts on *vital capital resources* are
  - ✓ An understanding of such capitals as consisting of (a) natural capital, (b) human capital, (c) social capital, and (d) constructed (or built) capital
  - ✓ A quotient construct for measuring and reporting performance, in which denominators represent norms, standards or thresholds for what an organization's impacts on vital capitals must be in order to be sustainable, and numerators which represent actual impacts on the same capitals

# Example #1 (Water)



- Corporate Water Gauge™ – A context-based metric for assessing the sustainability of an organization's water use
  - ✓ Determines availability of renewable water in a watershed
  - ✓ Allocates a proportionate share of such resources to an organization (denominator)
  - ✓ Measures actual use (numerator) against the allocation



Company XYZ - Plant Location			
Water Sustainability Report - 2009			
Water Sustainability Quotient Scores			
			Score
Economic (Level 4)			
Numerator	12,744,223		
Denominator	7,608,276,149		
			0.002 = Sustainable

# Example #2 (GHG Emissions)

Measuring GHG emissions against CO<sub>2</sub> Stabilization Goals\*

	2001	2002	2003	2004	2005
<b>Alcoa</b>					
Weighted Annual Score	1.132	1.110	1.269	1.302	1.219
Weighted Cumulative Score	1.063	1.077	1.121	1.155	1.165
<b>BP</b>					
Weighted Annual Score	0.888	0.892	0.894	0.800	0.823
Weighted Cumulative Score	0.942	0.924	0.916	0.890	0.878
<b>BT</b>					
Weighted Annual Score	0.888	0.779	0.839	0.843	0.851
Weighted Cumulative Score	0.944	0.891	0.879	0.873	0.870
<b>E.I. duPont de Nemours &amp; Co.</b>					
Weighted Annual Score	1.165	1.136	1.068	0.843	0.872
Weighted Cumulative Score	1.076	1.095	1.088	1.050	1.026
<b>Ford Motor Company</b>					
Weighted Annual Score	0.912	0.939	0.903	0.895	0.919
Weighted Cumulative Score	0.955	0.950	0.939	0.930	0.928



\*Any score of  $\leq 1.0$  = Sustainable

# The *True Sustainability Index*™

- A defined set of context-based ESG metrics
  - ✓ Addresses social and environmental sustainability performance (i.e., non-financial performance)
  - ✓ Makes it possible to quantitatively score, rate and rank the sustainability performance of organizations in literal terms
- Individual metrics have been proven in practice in several organizations within the past 7 years
- Further development and application of the index to a universe of companies has not yet been done
  - ✓ A prototype for the index, however, exists

# Summary and More Information

- The TSI is the world's first context-based sustainability index for use in the capital markets
- Makes it possible to assess the sustainability performance of publicly-traded companies in a literal or authentic sense
- Parties interested in learning more about the TSI (under the terms of a non-disclosure agreement) and possibly partnering with us to commercially develop and launch it should feel free to contact us at:

Mark W. McElroy, Ph.D.  
Founder and Executive Director  
Center for Sustainable Organizations  
[mmcelroy@vermontel.net](mailto:mmcelroy@vermontel.net)

[www.sustainableorganizations.org](http://www.sustainableorganizations.org)  
(802) 785-2293