

YEAR IN REVIEW 2010

2010 has proven to be a year of significance for global capitalism:

First, in the EU and the United States, the model of generous public sector benefits has lost its appeal. Excessive debt leading to collapse of credit availability and EU financial rescues of Greece and Ireland and perhaps later of Portugal and Spain, French efforts to reign in retirement benefits, an austerity budget in the UK, and Tea Party election victories in the United States, all point the way to a very different future for the procurement of many public and quasi-public goods. Private markets will be needed more and more to provide for the quality of our lives. Global capitalism must therefore step up to the challenge of responsible growth.

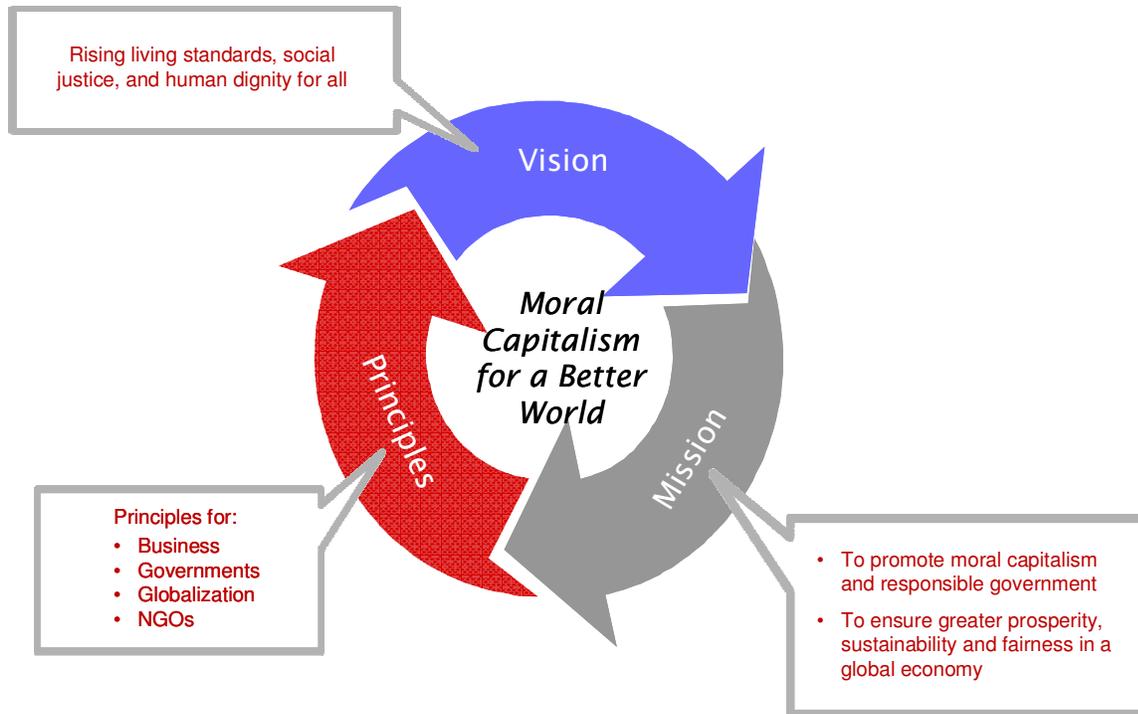
Secondly, China has arrived as a global power for the first time in history. Its efficient production of consumer and other export products, its global purchases of natural resources and its accumulation of financial power now make China a force to be reckoned with in global markets.

Thirdly, excessive debt and liquidity in the global economy destabilized currencies to force adjustments in valuation of goods and services. These uncertainties sustained the move to quality assets that began with the collapse of credit markets in late 2008. Capitalism proved, once again, that it needs a balanced blend of liquidity - cash, debt and equity - to be sustainable and responsible. When the financial balance tips too far in any given direction, the system under-performs, just as with any living organism under ecological stress.

Lastly, tensions among basic values - what some call civilizations - continued, with continuing Western wars against Muslim fundamentalism, the end of peace negotiations between Israel and the Palestinians and growing concern over the role of a conceptually independent China that does not honor "universal values." The challenge here for global business is finding sustainable peace to support economic growth across the world.

In 2010, the Caux Round Table ("CRT"), as you know from our commentaries and initiatives, responded to these challenges by seeking constructive approaches for business, government and NGOs. We offered our principles as wise guidance for better valuation of enterprises, more sustainable roles for governments and more mutual engagement across cultures and religions with the moral community of all humanity.

Vision, Mission, Principles and Purpose



The CRT vision, mission, principles and purpose capture the exceptional and extraordinary possibilities that the Caux Round Table seeks to influence every single day.

Our aim, through our vision, mission and principles, is to inspire people inside and outside Caux to pursue *Moral Capitalism for a Better World*.

We want people to talk about our purpose constantly, to share our vision and to live by our principles. We want to stimulate dialogue, passionate debate and ultimately exciting initiatives in line with our mission.

Vision:

Our VISION is for a world with - Rising Living Standards, Social Justice and Human Dignity for All.

Our vision is all about being obsessed with better possibilities for all. This vision is not small; to facilitate change for the better in humanity's ability to raise living standards, provide for social justice and realize the fullness of individual human dignity in all our days is a challenge of massive proportions, but it is a challenge we readily accept. To achieve it, we will have to inspire and lead with inspiration and courage.

Mission:

- ***To promote moral capitalism and responsible government.***
- ***To ensure greater prosperity, sustainability and fairness in a global economy.***

These are our overarching goals and priorities. They translate our vision into a concrete view of our direction and purpose. We believe *Moral Capitalism* is the only system with the potential to reduce global poverty and tyranny and address the needs and aspirations of individuals, societies and nations.

Purpose

Therefore, our unifying PURPOSE is - Moral Capitalism for a Better World.

The Caux Round Table seeks to improve the outcomes of the market economy and globalization in the world through enhancing the impact of ethical conduct and social responsibility in companies.

We believe that *Moral Capitalism* is the only economic system that can deliver *Rising Living Standards, Social Justice and Human Dignity for All*.

All other economic systems, including modern ‘brute capitalism,’ which has elevated narrow self-interest and personal advantage to the status of core values, are doomed to fail through the lack of any moral quality.

The mission of the Caux Round Table is to be carried out through the advocacy of certain ethical principles:

- ***Principles for Business***
- ***Principles for Governments***
- ***Principles for NGOs***
- ***Principles for Ownership of Wealth***

We advocate implementation of the CRT Principles as the path through which moral capitalism can flourish and through which sustainable and socially responsible prosperity can become the foundation for a fair, free and transparent global society.

SIGNIFICANT ACCOMPLISHMENTS

1. Together with our Chinese colleagues, we successfully started charting the path to a new framework for business ethics in China and the world at the 2010 Global Dialogue in Beijing.
2. We successfully customized the Arcturus corporate responsibility risk assessment tool for different cultural and country settings and continued to assist companies in identifying and prioritizing environmental, social and governance risks and opportunities.
3. We pioneered work on the ethical intersection of the food industry and healthcare, including the food industry as a supply chain for health outcomes, such as rising healthcare costs from obesity and its consequences.
4. We presented cutting edge recommendations on value-based leadership for Africa.
5. We facilitated a path-breaking statement of common values among the Abrahamic faith traditions, endorsing the contribution of business enterprise to global prosperity and better lives for humanity and setting forth a core set of ethical responsibilities for business decision-makers.
6. Our essays and commentaries continue to be globally recognized as important, innovative, practical and far-sighted.

WINSTON R. WALLIN PASSED AWAY

In December 2010, former CRT Chair Winston R. Wallin passed away from cancer. Wallin, former President of Pillsbury Inc. and former Chairman and CEO of Medtronic, had given wise and vigorous leadership to the CRT as its Chair from 1996 through 2002. He helped transform the CRT from a network of individuals to a global network of activists that sought to use principles of corporate responsibility to improve living standards throughout the world.

GEORGE VOJTA PASSED AWAY

On December 22nd, former CRT Chair George Vojta passed away in New York. Vojta brought to the CRT a sophisticated understanding of global finance and the inter-connection of high standards of accountability in the management of financial institutions with enhanced business prosperity and sustainability. Vojta's leadership added conceptual rigor to application of the CRT's Principles for Government. Vojta also gave strong support to the development of the Arcturus metric for assisting companies align their practices with the CRT Principles for Business.

RESPONDING TO THE FINANCIAL CRISIS OF 2008

The Caux Round Table continued its response to the financial crisis of 2008 with analysis of financial markets. Several commentaries were drafted and circulated to provide global thought leadership. CRT Chair Dr. Noel Purcell wrote a commentary on the global financial crisis, while CRT Global Executive Director Steve Young wrote commentaries on a values shift in the culture of Wall Street prior to the growth of the asset bubble, the collapse of which caused the crisis, and rent seeking as the business model for "Wall Street" financial intermediation.

INTELLECTUAL INITIATIVES

As an advocacy organization seeking to have its ideals and principles implemented around the world, the Caux Round Table seeks to provide intellectual leadership on key points of action.

Finding a Global Values Platform for Corporate Responsibility

The CRT convened a group of distinguished scholars of religion from Christian, Muslim and Jewish perspectives to craft a joint statement on the ethical basis for responsibility in business common to all Abrahamic faiths. The resulting Mountain House Statement was a remarkable, path-breaking step in building consensus across faiths for upholding common standards of good, responsible behavior.

Commentaries

The CRT published a number of well-received commentaries: Executive Compensation and the Financial Crisis, Adam Smith's use of moral theory in his *Wealth of Nations*, the Case for CSR, CSR as a Social Ecosystem, CSR and Public Goods, Anxiety and Bad Ethics in Business, High Frequency Trading, Organizational Excellence and the Moral Sense, Rent Seeking on Wall Street, and the Millennium Development Goals.

Customization of Arcturus

Arcturus, the proprietary CRT risk assessment metric for companies, was customized for a project with Thai Airways International. The new CEO of Thai Airways seeks to revitalize that state-owned enterprise and chose alignment with four core values as his strategy for change and improvement. His four values are: trust, hospitality, accountability and integrity. The customized Arcturus questionnaire was given to all senior officers of Thai Airways and the results reviewed in a special strategic retreat, the first time in the 50-year history of the company that all senior officers participated in a joint planning retreat.

Separately, Arcturus assessments were done for companies owned by Temasek, the Singapore Government holding company and ENEL, the Italian energy company.

Islam and Principles of Good Governance

The CRT's exploratory work with Islamic theologians and scholars to establish concordances between Qur'anic guidance for good governance and non-Islamic norms and practices continued with successful conferences in Islamabad and Istanbul.

The thesis advanced by the CRT that Qur'anic guidance on stewardship (*Khalifa*) and trusteeship (*amanah*) has global applicability resonating with secular, Christian, Buddhist and Confucian ethical traditions was accepted by more and more Islamic scholars.

Ethics, Food and Wellbeing

This initiative sponsored a series of three round tables in Minnesota with the intent of drafting principles for responsibility with respect to the impacts of food and diet on health. The proposed principles will form the intellectual core for a conference on ethics, food and wellbeing in mid-2011.

Ethical Leadership Training for Africa

The CRT addressed the third annual conference on values for African development, held this year in Nairobi. The CRT presentation challenged the normative paradigm of the “Big Man” as inappropriate for responsible development and suggested ways in which such a paradigm could be adjusted to accommodate concepts of stewardship and caring as the marks of a worthy elder held in esteem by the community.

Financial Standards Funds

The team assembled by Dr. Roger Conant and Steve Young – acting in their individual capacities – formed an asset management company to accept investment accounts and invest them in country index funds in line with the CRT Principles for Government. Dr. Conant has constructed a way of allocating pro forma investment dollars among countries according to their ranking for transparency and accountability. His approach has consistently outperformed the Morgan Stanley Country Index Funds. The new company raised equity capital and will launch its fund management business in 2011. Should the company succeed, it will provide market-driven proof that high standards lead to better economic outcomes.

Character Development in Education

In Minnesota, the CRT teamed with the Center for Academic Excellence to hold two conferences and several workshops promoting enhanced teaching of character in Minnesota public schools. A statewide steering committee was formed to coordinate support for this effort among business and professional leaders, law enforcement, religious leaders and politicians.

New Corporate Legislation for Social Entrepreneurship

In Minnesota, the CRT worked with State Senator John Marty to draft legislation creating a new form of stock corporation – a community enhancement corporation – to provide an easily accessible business form for social entrepreneurship where the firm is authorized to pursue the interests of stakeholders, not only the financial interest of shareholders.

OUTREACH EFFORTS

Global Dialogue

The annual CRT Global Dialogue was held in Beijing, China, in partnership with the Center for International Business Ethics there. Many dialogue sessions provided lively discussions of Chinese value traditions as standards for the future of China. Chinese scholars brought ethical analysis to a number of current strategic issues facing the Chinese people and government, such as valuation of the Renminbi currency and democracy. The backdrop to the Dialogue was the awarding of a Nobel Prize to an imprisoned Chinese dissident and the very harsh reaction from the Chinese leadership to that award. Of particular note was the warm engagement of Japanese scholars with their Chinese counterparts just after the confrontation between the two governments over territorial issues in the East China Sea. As with its founding in 1986 when tension over trade restrictions divided Japanese from Western business leaders, the CRT’s formula of respectful dialogue around principled approaches to decision-making made reconciliation more possible than not.

Website

The CRT website was visited by some 38,000 guests during the year. Mr. K. L. Lam of Cornerstone Ltd. in Malaysia provided the highest quality administrative support for the site.

Citizenship Recognition Award

The CRT global office in Minnesota recognized Marilyn Carlson Nelson, former CEO and current Chairman of The Carlson Companies, for her leadership as a business executive in meeting citizenship responsibilities.

Publication of *Moral Capitalism* in Chinese

The book *Moral Capitalism* was privately published in Shanghai in Chinese. Steve Young, the book's author, went to Shanghai for a launch of the book, which was well received by Chinese intellectuals.

Affiliations

- The CRT was invited to participate in the annual conference of the Academy of Business in Society in St. Petersburg, Russia, and to assist the Council for a Community of Democracies in Washington, DC, in shaping a program for business leadership in support of democracy.
- The Malaysian Directors Academy (MINDA), the training entity of Khazanah (the Malaysian government holding company), asked the CRT for input on CSR for its training retreat of directors from Khazanah companies.
- The CRT was asked to present at a session of the Carnegie Council for Ethics in International Affairs in New York City.
- The CRT was invited by the International Association of Jesuit Business Schools to comment on how business educators should respond to the financial crisis of 2008.

In the Press

The CRT was featured in the Minneapolis *Star Tribune* and *Minnesota Business*. Additional articles about the CRT views and approaches were published in the *Islam and Civilizational Renewal Journal* in Kuala Lumpur, the *Fletcher Forum of World Affairs* by the Fletcher School of Law and Diplomacy in Boston and *Politeia* in Milan, Italy.

COUNTRY TEAMS

With activities driven by local concerns and constraints, CRT country efforts gave practical expression to the CRT's global concerns:

Croatia

Steve Young attended the 20th anniversary conference of CROMA, the CRT affiliate in Croatia and met with the Croatian Employers Association.

Germany

CRT Germany expanded its membership. Frank Straub arranged for a CRT presentation in Berlin and Dr. Reiner Blank organized a CRT workshop for business leaders in Hamburg.

Japan

The CRT Japan Committee continued providing consulting services on stakeholder relationships to Japanese companies.

Kenya

The CRT chapter was co-organizer of the conference on values for African Development.

Malaysia

The CRT provided a lecture for MINDA and then participated in the organization's training retreat for corporate directors.

Mexico

CRT Mexico worked with the ten Mexican companies that won the CSR award for ten consecutive years to draft a report on their achievements. CRT Mexico coordinated a training program in ethics and community outreach for the Police Department of Mexico City.

Romania

Karel Noordzy of The Netherlands spoke to a meeting of the CRT network in Romania.

Singapore

Robert Fleming, CRT Fellow and professor at National University of Singapore, completed a CSR study using the Arcturus criteria of companies with majority ownership held by Temasek, the government holding company.

Thailand

CRT Thailand carried out a customized Arcturus assessment and organized a senior management strategic retreat for Thai Airways International.

ORGANIZATION

Global Governing Board

Shizuo (Ricky) Fukada of Japan was elected to the Global Governing Board and several CRT fellows were appointed.

CAUX ROUND TABLE LEADERSHIP

Global Governing Board

Dr. Noel Purcell, Chairman – Australia
Claire Chiang, Vice Chairman, Asia – Singapore
Doug Hepper, Vice Chairman, Americas – United States
Frank Straub, Vice Chairman, Europe – Germany
The Lord Dan Brennan QC, Chairman Emeritus – United Kingdom
Shizuo (Ricky) Fukada – Japan
Karel J. Noordzy – The Netherlands
Simon Sproule – Japan
Hironori Yano – Japan

World Advisory Council

J. Brian Atwood – United States
Tunku Abdul Aziz – Malaysia
Sir Anthony Cleaver – United Kingdom
Theodore Edgar Cardinal McCarrick – United States
Joseph J. Melone – United States
Hon. Anand Panyarachun – Thailand
James J. Schiro – United States
Heribert Schmitz – Germany
Prof. Ronald F. Thiemann – United States
Lodewijk C. van Wachem – The Netherlands
John C. Whitehead – United States
Dr. Herman H.F. Wijffels – The Netherlands

Caux Round Table Fellows

Senior Fellows: Ronald O. Baukol – United States
 Kevin Cashman – United States
 Brother Louis DeTomasio – United States
 Morihisa Kaneko – Japan
 Steve Lydenberg – United States
 Robert W. MacGregor – United States
 Fred Senn – United States

Fellows: Lord Michael Bates – United Kingdom
 Dr. Thomas A. Bausch – United States
 Yury E. Blagov – Russia
 Bogdan Diaconu – Romania
 Jose Luis Fernandez Fernandez – Spain
 Prof. Robert Fleming – Singapore
 Prof. David Grayson – United Kingdom
 Michael Harris – United States
 Prof. Dr. Harry Hummels – The Netherlands
 Dr. N. Doran Hunter – United States
 Stephen Jordan – United States
 John C. Knapp, Ph.D. – United States
 Michael Labrosse – United States
 Liu Baocheng – China
 Bernard Margueritte – Poland
 Dr. Lester A. Myers – United States
 Chris Pierce – United Kingdom
 Gustavo de la Torre – Mexico