

YEAR IN REVIEW

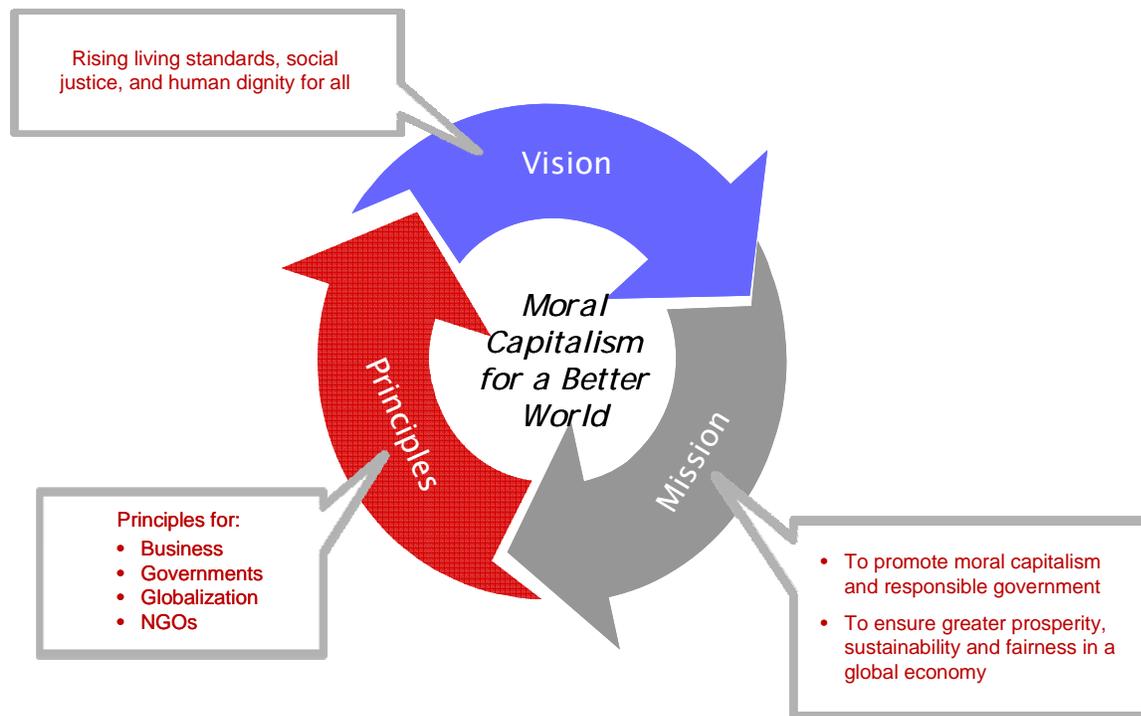
2008

The current global financial crisis of confidence and economic recession says it all: capitalism without ethics and responsibility is dysfunctional and destructive of wealth. In 2008 global stock markets lost \$30 trillion – nearly half their value. In the U.S., \$7.2 trillion of shareholder wealth was wiped out.

Facts and circumstances, more dramatically than any words or pleadings, have made the case for the Caux Round Table. It's Principles for Business – developed by experienced business leaders – speak to both the causes of the meltdown starting in Wall Street and spreading across global markets and to sound reforms of financial intermediation. In this sense, 2008 was the most seminal year for the Caux Round Table since its first convening in 1986.

Anticipating perhaps the historic meltdown of global financial markets, followed by serious recessionary effects in the real economy, the Caux Round Table Global Governing Board in September 2008 took a major step in restating the vision and mission of the organization's advocacy efforts as follows:

Vision, Mission, Principles, and Purpose



The CRT vision, mission, principles and purpose captures the exceptional and extraordinary possibilities that the Caux Round Table CRT 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.

The Board then adopted the following guidelines:

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.

As CRT's former Chairman, Win Wallin said, "*we believe that sensitivity to the concerns of all stakeholders, dialogue that leads to advocacy and action, and collaboration with others are the keys to greater prosperity, sustainability and fairness in a global economy.*"

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.

As Stephen Young, Executive Director of the Caux Round Table has stated: The challenge of moral capitalism is to tip the balance of wealth creation toward humanity's more noble possibilities and away from the dynamics of more brutish behavior.

The mission of the Caux Round Table is then 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.

THE FINANCIAL CRISIS OF 2008

The most important development during 2008 was, sadly, the collapse of confidence in financial markets upon a growing realization that speculation in financial instruments for sub-prime mortgages, CDS and credit default swaps had become unsustainable and that the capital reserves of many financial intermediary institutions were inadequate. Selling of assets began and extension of new credit came to a halt. Markets collapsed and governments had, in effect, to meet capital calls for financial institutions. Private greed had led to public subsidies in a rescue of dysfunctional markets. Wall Street as it had been known for 150 years died.

This is an epochal turning point in the history of modern capitalism, roughly parallel in its implications for the future to the collapse of Communism in 1989.

The lesson of the financial crisis is that the Caux Round Table's vision of a moral capitalism based on ethical awareness of the responsibilities of business to society is a better vision than the one followed by Wall Street.

The Caux Round Table's Principles for Business now provide the intellectual basis for global prosperity to be sustained and for some modified form of Wall Street capitalism to thrive.

The course for business charted by the Caux Round Table steers between the Scylla of excessive state administrative oversight of markets and the Charybdis of narrowly self-seeking exploitation of market power by private wealth.

Analysis and Recommendations:

Adopting a draft written at its 2009 Global Dialogue, held in Madrid, the Global Governing Board issued an analysis of the crisis and made recommendations for fundamental reforms in the governance structures of risk management used in private sector capitalism. In the United States, the House Banking and Financial Services Committee sought Caux Round Table advice in its efforts to draft reform legislation for financial regulation in the United States.

COUNTRY TEAMS

A pattern of engagement began to be reflected in the activity of country teams. The CRT efforts at the country level tend to attract a combination of business leaders, academics, and leaders in civil society who are committed to the economic development of their countries in line with the ethical principles advocated by the CRT.

Australia

With a change of government, the initiative at the St James Ethics Center in Sydney to develop an assessment process for exchange traded Australian companies continued. The Ethical Leadership Profile was introduced to a number of government agencies.

Canada

Efforts in Canada slowed waiting new support from the DeGroot School of Business.

Croatia

CRT-Croatia took the lead with managers associations in Slovenia and Serbia to host the first conference of managers from the republics of the former Yugoslavia since the breakup of Yugoslavia. Steve Young gave a keynote address on the cultural roots for ethical business practices in southeastern Europe.

Germany

CRT Germany grew to 23 members and finished development of a German, on-line version of Arcturus.

Japan

2008 was an intensively busy year for CRT-Japan. We have a strong organization with support from 27 corporate members and 15 individual members.

CRT-Japan's activities can be divided into 3 major types of work: consulting, lectures and symposiums, and education.

1. Corporate Consultation and Training programs

CRT-Japan assisted 8 companies/organizations this year in support of their effort in implementing CSR through workshops, training and business strategies. Notable companies include Nissan Motors Co. Ltd, Sega Sammy Holdings, and Nomura Holdings. Notable organizations include the World Bank and the Inter-American Development Bank. CRT-Japan's Executive Director provided 5 companies with Third Party Opinions as to the quality of their CSR Reports.

2. Lectures and Symposiums

This year CRT-Japan organized two major seminars. In August, about 120 people attended the seminar on CSR Management from Business Executives' Perspectives. In December, about 140 people attended the seminar on CSR from different cultural perspectives. CRT-Japan has also supported other organization's lectures and symposiums on CSR and related issues. This year we have supported 20 events in total. Notable organizations include the World Bank Tokyo Development Learning Center and forums where about 400 outstanding youth gathered to think about pressing issues in the world.

3. Education

CRT-Japan continues to place importance on our educational mission. CRT-Japan's Executive Director lectures on Business Ethics at two universities. This year we have worked with SBI and Business Break Through to create e-learning courses on CSR and related issues. CRT-Japan also continues to provide intensive blended learning programs on CSR. Over 25 people started this the course during 2007 and 2008. Six were certified by the end of 2008.

CRT-Japan's PR activities included constant publication of CSR related newsletters together with enclosures or comments in the publications of other organizations.

Malaysia

CRT Malaysia offered a number of seminars on CSR and began discussion with several universities on offering a certificate program in CSR management.

Mexico

CRT-Mexico initiated discussions with PEMEX, the public oil company, on supporting PEMEX's programs in CSR analysis and reporting. Training programs in CSR management for 4 Mexican companies were put in place.

Poland

CRT-Polska received formal incorporation.

Russia

The Advisory Board of the Graduate School of Management of the St Petersburg State University, at the initiative of Prof. Yury Blagov and the Dean of the School, agreed to sponsor the CRT chapter in Russia. In December, a study of CSR trends in Russia, with a preface from the CRT, was published by the Managers Association and presented to the public in Moscow.

Thailand

Attention in Thailand during 2008 was focused on the constitutional crisis caused by conflict between the supporters of the populist authoritarian and former Prime Minister Taksin Shinawatra and those who sought legal control of his patron-client structure. CRT-Thailand facilitated sessions on the recovery of corrupt assets for the National Counter Corruption Commission.

USA

Efforts were concentrated on outreach where we have our offices in Minnesota and in Washington DC.

In Minnesota, a series of workshops on key countries – Brazil, China and India were held in partnership with KPMG and the law firm of Dorsey and Whitney. Former Congressman Michael Oxley (a principal author of the Sarbanes-Oxley legislation) spoke on the financial crisis. An award for distinguished citizenship was given to Minnesotans George and Sally Pillsbury. An innovative cooking competition called “Caux Culinary Challenge” was held with eight top chefs focusing on sustainable food was held as a fund-raiser. Also, the CRT hosted a recognition dinner honoring the personal ministry of Theodore Cardinal McCarrick, recently retired as Archbishop of Washington, DC. for his service nourished by the social teachings of the Roman Catholic Church.

In Washington, DC, two sessions were held at the Center for Strategic and International Studies on Qur’anic guidance for good governance.

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.

Recovery of Stolen Assets

In October, a work shop was held in the offices of Clifford Chance in London to review and assess Lord Brennan’s proposal for the formation of a private sector entity to seek out, recover, and restore the proceeds of grand corruption which have been invested in money centers and wealthy economies. The workshop concluded that Lord Brennan’s suggestion did not duplicate other efforts aimed at reducing corruption in poor and developing countries and should be implemented. A Steering Committee was formed and Chris Pierce graciously agreed to draft a business plan for the proposed entity.

Islam and principles of good governance

The results of CRT collaboration with scholars at the International Islamic University Malaysia (IIUM) in analysis of Qur’anic guidance for good governance were published in the Spring of 2008 by the University. The publication, *Guidance for Good Governance*, edited by Prof. Abdullah Al-Ahsan and Stephen B. Young, Executive Director of the Caux Round Table, contains 5 essays:

One on the standards of guidance provided by Qur’an, a cross-cultural commentary on Qur’anic standards, a discussion of new research in human cognition and emotional pre-dispositions that supports the vision of both the Qur’an and the CRT Principles for Government, and an assessment of how greater fidelity can be brought to the implementation of Qur’anic standards within Muslim countries.

The results of the CRT-IIUM collaboration were presented in a conference at the Center for Strategic and International Studies in Washington, DC. Roderick M. Hills and Theodore Cardinal McCarrick, both members of the CRT World Advisory Council, responded to the presentations.

Financial Standards Funds

A team assembled by Dr. Roger Conant and Steve Young – acting in their individual capacities - is seeking to start a private fund that will seek investment and put to the test under conditions of market discipline the theory that higher standards of conduct in management of national financial institutions leads to better real economic performance.

K-12

In Minnesota, a workshop was held to develop and propose a pilot program of introducing the CRT Principles for the Good Citizens to the curricula of public schools

OUTREACH EFFORTS

Global Dialogue

The annual CRT Global Dialogue was held in September in Madrid, Spain. The theme was reflection on the current financial crisis. The discussions led to the drafting of an important statement on the causes of the crisis and proposed remedial measures that should be taken by firms and public authorities.

Scholars Retreat

In July, the CRT held its first retreat for scholars in the field of business ethics and corporate social responsibility at Mountain House in Caux. Scholars from Europe were invited to this pilot undertaking. Participants summarized their conversations in a statement of recommendations on the more thorough incorporation of CSR premises in business decision-making and education.

Islam and Catholic Social Teachings

Lord Brennan and Steve Young called on Cardinal Tauran in Rome, the president of the Pontifical Council for Inter-religious Dialogue, to inform the Cardinal of the CRT's interest in highlighting common visions among religious traditions for business ethics and corporate social responsibility. Subsequently, Steve Young and Theodore Cardinal McCarrick participated in a CRT initiated retreat at the International Islamic University of Malaysia (IIUM) on Qur'anic responses to Catholic Social Teachings. The values of human dignity, solidarity, subsidiarity, and a universal destination for goods inform the CRT Principles for Business. The Islamic scholars at IIUM found deep Qur'anic support for these core values. The resulting Statement of Understanding and Joint Concern was a breakthrough in inter-religious dialogue.

China

The CRT entered into an agreement of affiliation with the Center for International Business Ethics in Beijing. Steve Young was invited to join the Center's Advisory Board and Liu Baocheng of the Center was made a Fellow of the CRT.

France

Ron Lattin from the Caux Round Table organized a small conference in Paris called "Visions of CSR, a forum exploring viewpoints from both sides of the Atlantic on Corporate Social Responsibility." The American Chamber of Commerce in France cosponsored the event and Bertrand Collomb former Chairman & Chief Executive of Lafarge was the keynote speaker.

Also, in response to the financial crisis, in November, French President Sarkozy called for a "moralization" of capitalism in a direct but independent echo of the CRT vision.

Serbia

Steve Young visited Belgrade in December to speak at the Law Faculty of the University of Belgrade and the Central Bank on the CRT analysis of the financial crisis and cultural grounding for standards of ethical business conduct. Danijel Pantic of the Serbian Managers Association organized the presentations and has taken the lead in organizing a CRT country team in Serbia. Young's book, *Moral Capitalism*, with a new chapter on the financial crisis and a special chapter on Serbian Orthodox religious traditions and the CRT principles, will be published in Serbian.

Africa

At the request of the corporate governance program of the International Finance Corporation of the World Bank, Steve Young presented a keynote address at a conference in Addis Ababa organized by the KCAS University and the Center for Governance, both in Kenya. After the conference, the CRT was asked by both organizations to partner with them in efforts to promote ethics in African leadership, both public and private. The CRT was honored by the invitation and accepted it with gratitude for the opportunity it presents to be of service in a needed area of reform activity.

ORGANIZATION

Global Governing Board

Lord Dan Brennan from the UK was re-elected Chair of the CRT Global Governing Board for an additional year during the Global Dialogue in Madrid. Also, Ms Claire Chiang from Singapore, the Senior Vice President, Banyan Tree Holdings Ltd, was elected to the Global Governing Board. Ms. Chiang's commitment towards social responsibility extends to her roles as Co-Chairperson of the National Tripartite Initiative (NTI) on Corporate Social Responsibility (CSR) and as President of the Singapore Compact.

World Advisory Council

Ronald Thiemann, former dean of the Harvard Divinity School, was appointed a member of the World Advisory Council. Prof. Thiemann has initiated at the Divinity School a program of outreach in the moral foundations for business ethics, the Business Across Religious Traditions series of seminars.

Senior Fellow and Fellows

Brother Louis DeThomasis was appointed a Caux Round Table Senior Fellow. Chancellor of the University of St Mary's of Minnesota for many years, Brother Louis was the founder of the Christian Brothers Investment Services and still serves as Chairman of the corporation, was a board member of The Galaxy Funds, and has written extensively on business ethics. As Chancellor, Brother Louis co-sponsored with the CRT an innovative certificate training program for corporate directors call the Corporate Director Academy.

Fred Senn, a founding partner of the award winning advertising agency Fallon Worldwide was appointed a Caux Round Table Senior Fellow. He is co-author of the book Juicing the Orange: How to Turn Creativity into a Powerful Business Advantage. Several years ago, Fred was the person who suggested that the Caux Round Table write a book on its vision of ethical business and provide a foundation for implementation of the CRT Principles for Business - he also suggested its title "Moral Capitalism".

Dr. Liu Baocheng was appointed a Fellow of the Caux Round Table. Dr. Liu is Director of the Center for International Business Ethics in Beijing and is a professor at the University of International Business and Economics in China.

Academic Advisory Council

On a sad note, Professor G. Edward Schuh of the University of Minnesota and Professor Samuel P. Huntington of Harvard University passed away in 2008. Both scholars had kindly served as advisors to the Caux Round Table's work on the role of business and government in creating conditions for robust economic development.

CAUX ROUND TABLE LEADERSHIP

Global Governing Board

The Lord Dan Brennan QC – United Kingdom
Claire Chiang – Singapore Toru Hashimoto – Japan
Doug Hepper – United States
F. Raúl Martínez – Mexico
Karel J. Noordzy – The Netherlands
Noel Purcell – Australia
Crocker Snow, Jr. – United States
Frank Straub – Germany
Ruth Stricker Dayton – United States
Tony Valeri – Canada

World Advisory Council

J. Brian Atwood – United States
Tunku Abdul Aziz – Malaysia
Sir Anthony Cleaver – United Kingdom
Joseph J. Melone – United States
Theodore Cardinal McCarrick – United States
Hon. Anand Panyarachun – Thailand
James J. Schiro – United States
Heribert Schmitz – Germany
Prof. Ronald Thiemann, Harvard Divinity School – 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
Brother Louis DeTomasio – United States
Kevin Cashman – United States
Morihsa Kaneko – Japan
Steve Lydenberg – United States
Fred Senn – United States

Fellows: Dr. Thomas A. Bausch – United States
Lord Michael Bates – United Kingdom
Yury E. Blagov – Russia
Prof. Dr. Harry Hummels – The Netherlands
Dr. N. Doran Hunter – United States
Stephen Jordan – 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