



YEAR IN REVIEW 2007

MISSION STATEMENT

The Caux Round Table (CRT) is an international network of experienced business leaders, who work with business and political leaders to design the intellectual strategies, management tools and practices to strengthen private enterprise and public governance to improve our global community. The CRT seeks to help companies and governments confront critical social challenges with strategic initiatives based on universal moral principles

Perhaps 2007 was most remarkable for the CRT in the emergence of country teams or chapters. From its first meeting in Mountain House, Caux, in 1986 the network has aspired to involve business leaders in a common effort to promote global standards of responsible business conduct for the betterment of the global community. Through the energetic and committed leadership and initiative of remarkable individuals, the ideals of the CRT are finding receptive homes in more and more specific locations. What, in retrospect, made the emergence of these national teams and chapters feasible were the readily available practical management tools for CSR implementation developed by the Caux Round Table.

COUNTRY TEAMS

There was much international activity for the Caux Round Table, including new formally launched chapters in Canada, Croatia, Germany, Malaysia, Poland and Thailand.

Australia

Thanks to an introduction from Noel Purcell, a member of the CRT's Global Governing Board, the CRT was able to enter into an affiliation agreement with the St. James Ethics Center in Sydney, a center of the highest quality work in business ethics. Under a government tender, the St. James Center will customize the Arcturus product for use in Australia as a recommended CSR reporting metric for Australian companies. In addition, Prof. Jack Flanagan took the lead in formulating a CRT certificate program in CSR for professionals and mid-career company officials. Prof. Flanagan's University of Notre Dame, Sydney, is considering offering the program in Australia. Attracta Lagan, a principal at Managing Values, intriguingly suggested use of the CRT Ethical Leadership Profile with public officials. Her suggestion was quickly approved with much appreciation and she is moving forward with use of the ELP in Australia.

Canada

CRT Global Governing Board member Tony Valeri, former Leader of the Government in the House of Commons, with assistance from Dean Paul Bates and Prof. Terry Flynn at the DeGroote School of Business in McMaster University in Hamilton launched CRT outreach efforts in Canada. In particular, students at DeGroote under the direction of Prof. Flynn will bring the CRT's Arcturus assessment process to Canadian companies.

Croatia

Under the leadership of Esad Colakovic, Secretary General/CEO, CROMA, CRT-Croatia was officially formed at a conference in Varazdin. Lord Dan Brennan, CRT Chair, officiated as Mr. Cacic, Governor of Varazdin, signed the CRT statement of responsible government. Subsequently, educational programs in line with CRT principles were started at the University of Split and the Law Faculty of the University of Zagreb. Michael Labrosse, CRT Fellow, traveled to Croatia and found a warm reaction among four Croatian companies for use of the CRT's Ethical Leadership Profile to help individuals make more informed ethical decisions.

Germany

Frank Straub, CEO of BLANCO and a member of the CRT Global Governing Board, and Heribert Schmitz, former international VP of HP and head of HP in Germany and a member of the CRT's World Advisory Council, took steps to have a CRT organization legally established under German law. Working with members of the BDSU student organization associated with business schools, the Arcturus questionnaire was translated into German for use by German companies. Mr. Schmitz also spoke to a conference in Brussels organized by JADE, an organization of student entrepreneurs in Europe with 20,000 members.

Poland

An impressive group of Polish business leaders and academics formed CRT-Polska. Tadeusz Krewselowski, founder of Krevox, was elected President. CRT Fellow Bernard Margueritte made a notable contribution in encouraging formation of the group. CRT-Japan Executive Director Hiroshi Ishida visited Warsaw to explain the Arcturus product and an initiative was tabled with the Teischer European University in Cracow for the teaching of a CRT certified course in CSR.

Japan

CRT-Japan's work with Nissan-Global continued and culminated in the publication of the Nissan-Global 2007 Sustainability Report. The 2007 Nissan-Global Sustainability Report is a benchmark in the evolution of CSR from admonition to best business practice. First, the report is introduced by a letter from Nissan CEO Carlos Ghosn who states simply that "sustainability" refers to the sustainability of a firm as a successful venture. This approach demands integration of new, non-financial metrics with traditional financial results to lower the company's risk profile and enhance the intangible assets reflected in its many stakeholder relationships.

Second, the Nissan 2007 Sustainability Report put before the public – its customers, employees and investors – progress along key performance indicators for achieving CSR goals and standards selected by the company's CSR Steering Committee. This may be a first use of such a methodology by a great multinational company and the CRT's Arcturus process (called CSRI in Japan) was instrumental in the development of Nissan's management approach.

Third, Nissan asked CRT-Japan to provide an outside professional evaluation of its commitment to CSR management. The assurance letter from CRT-Japan was published on page 119 of the Sustainability Report.

In addition, CRT-Japan staff provided support for enhanced CSR understanding on the part of Mitsubishi Heavy Industries, Mitsui Chemical and Nomura Securities. CRT-Japan worked with the Tokyo office of the World Bank on a novel program to build awareness of environmental issues. CRT-Japan arranged for a delegation from the Government Savings Bank of Thailand to visit Tokyo and learn more about the pragmatic side of CSR activities in Japan.

Malaysia

The Tunku Abdul Aziz most ably assisted by Puvan Selvanathan launched the CRT in Malaysia. Not letting any moss grow on their feet, they immediately commenced training and orientation programs about Corporate Social Responsibility. An impressive website for CRT-Malaysia came quickly into being as well.

Mexico

In Mexico under the optimistic and visionary leadership of Raul Martinez, a member of the CRT Global Governing Board, and with the dedicated perseverance of Gustavo de la Torre, CRT-Mexico became more and more established. Conferences were held with IberAmericano University and the ITESO Jesuit University in Guadalajara. Importantly, a local chapter of CRT-Mexico was formed in Guadalajara. Lord Brennan visited Mexico on behalf of the Caux Round Table. Steve Young, CRT Global Executive Director presented a keynote address at the annual meeting of the Association of Jesuit Business Schools held this year in Guadalajara. The Public Service Institute of the State of Mexico took up the translation of the CRT training manual Moral Government into Spanish. Raul Martinez formulated a study program in CSR for possible funding by the UK Government.

Thailand

Kasit Piromya, former Ambassador of Thailand to the United States, Japan, Russia and Indonesia, took the lead in organizing CRT activities in Thailand. Initial focus was on discussions of the CRT Principles for Government in the context of Thailand's constitutional crisis and return to electoral democracy. However, with support from Prof. Kaewta Rohitratana of Thammasat University Business School and the SASIN Graduate School of Business, CRT supporters in Thailand, especially Alex Mavro from Social Impact Ventures Asia, brought the Arcturus process to the attention of Thai business and financial leaders. Hiroshi Ishida from CRT-Japan came to Bangkok to support these efforts.

USA

The initial organizational steps were taken to establish a national chapter of the CRT in the United States. Long time Caux Round Table member, John Stout, of the law firm Fredrickson & Byron and expert in standards of corporate governance is the Founding Chair of CRT-USA. Ron Lattin from the Caux Round Table will staff CRT-USA. An advisory council was created and at the end of the year, a corporate membership program was initiated.

INTELLECTUAL INITIATIVES

A most important part of the CRT leadership effort is to seek implementation of its Principles for Business and Principles for Government. This is work fundamentally of an intellectual nature as principles are brought to bear on underlying problems and real-world dynamics. In particular, the drive for implementation is informed by the desire to improve living conditions for the world's poor by enhancing the ability of business to create wealth in poor countries. The CRT is of the conviction that such results on the part of business must follow on government acting in its own appropriate sphere of responsibility with transparency, stewardship resolve and probity.

Recovery of Stolen Assets

In June, CRT Chair Lord Dan Brennan formally proposed at a conference at the Center for Strategic and International Studies in Washington DC a study project to consider formation of a private sector entity to recover assets obtained through corruption and invested outside of jurisdictions of origin in global money centers. Subsequently, both KPMG in Washington, DC, with the support of CRT Fellow Lester Myers, and Clifford Chance in London, through attorney Rae Lindsay, agreed to support Lord Brennan's proposal with professional expertise. Jack Blum, an attorney with the Baker Law Firm in Washington, DC, will co-chair the study project with Lord Brennan. The Ford Foundation has indicated its interest in supporting a conference in London to review the results of the feasibility study. The Prime Minister of The Netherlands, when meeting with Lord Brennan, gave assurances of his personal support for the proposal. The meeting with the Prime Minister was arranged by Karel Noordzy, a member of the CRT Global Governing Board. This builds on Lord Brennan's first articulation of the need for such a recovery organization in March of last year.

A conference at CSIS was organized by Raymond Baker, a noted CRT participant and author of the path-breaking book on money laundering *Capitalism's Achilles Heel*. At the conference, Raymond's call for World Bank attention to gathering needed data on the outflows of "dirty" money from poor countries was seconded by the Government of Norway, which pledged funds for such a World Bank study.

Customized Arcturus Inquiry Platforms

The Arcturus assessment questionnaire customized for the 10 principles of the United Nations Global Compact was placed in the public domain. And a new version of Arcturus was created within the framework of the new statutory duties imposed on the directors of UK companies by Parliament's 2006 reform of the Company Act. The first customized Arcturus helps signatories to the Global Compact assess their alignment with the principles of the Compact. The second is more a risk assessment platform to help directors meet their responsibilities on an on-going basis.

Materiality

CRT-Japan developed an innovative metric for assessing the importance to a company (the “materiality”) of various CSR concerns and stakeholder interests. This is an important advance in sophisticated CSR management for there are so many, and potentially competing, interests and claims put forth by a company’s various stakeholders and sub-groups of stakeholders that the resulting confusion and cacophony arising from all the claims for attention can dull company decision-making. It is most important for companies to find some serious method for sorting through non-financial demands and intangible concerns to find those that are material to the company’s prospects for robust sustainability.

Ethical Leadership Profile

In a major development, a team working for CRT-Global in Minnesota brought to market an assessment instrument for individuals to use in considering their orientations to decision-making. Simply put, the Ethical Leadership Profile (“ELP”) helps an individual (and his or her supervisor) better understand the habitual blind-spots towards others in making business decisions. In becoming more sensitive to his or her decision-making style, a person can better and more intentionally put into play considerations such as the CRT Principles for Business. In the public sector, the ELP can be used to facilitate use of the CRT Principles for Government.

CEO Compensation

In responding to a current short-fall in business ethics in the United States – excessive CEO compensation in some instances, a number of which seemed scandalous and were well publicized – the CRT asked some of its respected participants, especially Senior Fellow Ron Baukol, former Executive Vice President for International of 3M Company and member of several public company boards, to advise on a statement of guidance for board compensation committees. The draft statement is designed to reflect the CRT Principles for Business with respect to CEO compensation.

Wellbeing Project

At the suggestion of CRT Global Governing Board member Ruth Stricker Dayton, an initiative was begun to consider the implications of the CRT Principles for Business for a company’s responsible conduct towards employees in the post-industrial economic order. An analysis of new research on well-being was undertaken by Christopher Michaelson of PWC and CRT Global Executive Director Steve Young. Their essay was presented to the 2007 CRT Global Dialogue in Seattle.

Islam and principles of good governance

The CRT in cooperation with the International Islamic University of Malaysia (“IIUM”) in Kuala Lumpur, and Dean William Graham of the Harvard Divinity School, launched a project to consider under current circumstances Qur’anic guidance for good governance. At IIUM Dean Ibrahim Zain and Professors Arif and Abdullah Ahsan took the lead in assembling a panel of scholars for a workshop in July and in drafting an exceptional statement of Qur’anic understanding reflecting conclusions of the workshop. The workshop participants drew attention to aspects of Qur’anic guidance that call for human institutions and persons to be responsible and thoughtful in their use of power because such power was only given to them in trust by God to be used wisely without arrogance or intolerance. Under Qur’an God created humankind in his image, breathing into us some of his divine spirit in order that we can serve as *khalifa* or vice-regent within creation to bring it more and more in line with conditions of divine order and justice.

This presentation of Qur’an is not too dissimilar to Christian teachings nor to John Locke’s *Second Treatise on Government* of 1689 which informed the development of constitutional government in Great Britain and the United States.

Financial Standards Funds

The pro-forma country index funds which were developed by CRT participant Dr. Roger Conant to reflect CRT standards of transparency and accountability in the management of national financial institutions continued to show through volatile markets that countries with higher standards – in effect, countries that practiced behaviors in harmony with the CRT’s ethical principles for government – did better economically than countries with lower standards of practice. For more information on the performance of the funds please go to www.financialstandardsfunds.com.

K-12

In Minnesota, the CRT brought together leaders from different religions, law enforcement, teachers and school administrators to seek common agreement on an approach to teaching ethics in public, secular schools that would not trigger concerns over religious interference with freedom to think and worship as families might please to do with their children. A set of good citizen principles was produced for this meeting as an analogue to the CRT Principles for Business and Principles for Government.

The CRT was retained by Junior Achievement to review and revise its ethics curriculum to be used in American high schools by business volunteers.

CRT EVENTS

PCAOB Chair Mark Olson Dinner

The Caux Round Table hosted Public Company Accounting Oversight Board Chairman Mark Olson at a March dinner. The PCAOB is a private-sector, nonprofit corporation, created by the Sarbanes-Oxley Act of 2002 to protect investors by overseeing the auditors of public companies. The PCAOB was created in the wake of the Enron/WorldCom scandals to provide oversight of the quality of public accounting practices so that such abuses of reporting formats would not occur again in the future.

Trust In Business

On October 4 the Caux Round Table held a public forum on Trust in Business with a session on “Why Doesn’t America Trust Business” and a session title “The American Health Care System: Funding Alienation and Mistrust?” Special guest Ryan Streeter representing the Business Civic Leadership Center (BCLC) of the US Chamber of Commerce presented the Chamber’s new report: Values Matter: Emerging Business Policies and Practices for Building Trust and Good Will.

Global Dialogue

The annual CRT Global Dialogue was held this year for the first time in the United States in Seattle. Our theme was “Business Values driving the Value of Business.” We considered various aspects of the duality inherent in thinking about the value that business brings to humanity and the value to business of society and the environment. Dialogue participants discussed what are the tensions and the harmonies between financial value – the cash returns and the profit so necessary for business success – and humane values that give our lives their higher purposes. On the more focused side of these considerations, we looked at new guidelines for executive compensation, company leadership that values human capital and technology and business decisions to reduce global climate change.

OUTREACH EFFORTS

China

Late in the year the CRT participated as co-sponsor in a conference in Beijing on corporate culture as a framework for encouraging responsible business practices in China under the continued program of reform and opening up. The Center for International Business Ethics in Beijing, SynTao consulting firm and others sought long-term affiliation with the CRT and access to the Arcturus family of products as well as the Ethical Leadership Profile.

Colombia

The CSR Committee of Colombia began consideration of bringing the CRT's approach and management tools to Colombia.

France

Ron Lattin from the Caux Round Table made a presentation to the International Chamber of Commerce on the CRT management tool Arcturus. He later was asked to join the ICC's Commission on Society and Business as an observer. Later he met with representatives of the OECD, Amcham France, and the business community introducing the Caux Round Table.

Indonesia

Steve Young, CRT Global Executive Director, made a presentation on the CRT approach to CSR as best practices for enhancing company value to an audience of Indonesian business leaders. The program was sponsored by USINDO, an NGO promoting better ties between Indonesia and the United States.

Romania

The CRT was invited to present at one of the initial discussions of CSR in that new member of the European Union.

Russia

Prof. Yury Blagov of the Graduate School of Management, St. Petersburg State University and CRT Fellow continued using the Arcturus assessment instrument to gather CSR data on Russian companies. Two CRT related conferences were held at the school with Lord Brennan, CRT Global Governing Board Member Frank Straub, Ron Lattin, and Hiroshi Ishida presenting for the CRT.

Serbia

CSR activists from Belgrade were invited to a CRT presentation in Zagreb, Croatia, and to meet with CRT staff. Afterwards, they expressed eagerness to translate the book Moral Capitalism into Serbian and start a CRT team in Serbia.

ORGANIZATION

Retirement of Maarten de Pous

This year marks another milestone in the history of the CRT – and a bittersweet one at that. Maarten de Pous retired during the year as Executive Director for CRT Europe. Maarten was present at the birth of the CRT at Mountain House, Caux, in 1986 with Frits Phillips and Olivier

Giscard d'Estaing. Working closely with Frits Phillips and then with every succeeding CRT Chair, Maarten's sensitive concern for people, for the breaks and tears in our global social fabric gave to the CRT a steady moral vision and compassionate hand. Maarten will continue to serve the CRT as Senior Advisor to its Global Executive Director.

Theodore Cardinal McCarrick Joins World Advisory Council

At the invitation of CRT Chair Lord Brennan, Theodore Cardinal McCarrick, recently retired Cardinal Archbishop of Washington, DC has graciously agreed to join the CRT's World Advisory Council. The Cardinal is particularly interested in the CRT's engagement with Islamic thought, its ability to give practical effect to Catholic Social Teachings, and its concern for global development.

New Senior Fellow and Fellows

Robert MacGregor was named a CRT Senior Fellow in 2007. Robert MacGregor was President of the Minnesota Center for Corporate Responsibility and he proposed the development of the CRT Principles for Business and continues to speak for the CRT around the world.

Steven Jordan, Michael Labrosse and Lester Myers have become CRT fellows. Steven Jordan directs the corporate social responsibility/business ethics/corporate citizenship center at the US Chamber of Commerce in Washington, DC. Michael Labrosse is a coach and leadership consultant who led the effort to develop the Ethical Leadership Profile. Lester Myers is a Director of KPMG Forensics in Washington, DC. He is an articulate teacher and practitioner of business ethics having been trained in accounting, law and ethics.

CAUX ROUND TABLE LEADERSHIP

Global Governing Board

The Lord Dan Brennan QC – United Kingdom
Toru Hashimoto – Japan
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
Hon. Anand Panyarachun – Thailand
James J. Schiro – United States
Heribert Schmitz – Germany
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
 Morihsa Kaneko – Japan
 Steve Lydenberg – United States
Fellows: Dr. Thomas A. Bausch – United States
 Yury E. Blagov – Russia
 Prof. Dr. Harry Hummels – The Netherlands
 Dr. N. Doran Hunter – United States
 Stephen Jordan – United States
 Michael Labrosse – United States
 Bernard Margueritte – Poland
 Dr. Lester A. Myers – United States
 Chris Pierce – United Kingdom
 Gustavo de la Torre – Mexico

Academic Advisory Council

Samuel P. Huntington – United States
David S. Landes – United States
G. Edward Schuh – United States

Senior Staff

Stephen B. Young, Global Executive Director
Maarten de Pous, Executive Director, CRT - Europe
Hiroschi Ishida, Executive Director, CRT - Japan