



What's the Risk?

PR & Communication Agencies and Kleptocracy

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March 2024

Report published
with the support of



Acknowledgements

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The report was funded by the Joffe Charitable Trust through a grant entitled 'Providing the Evidence and Analysis for a UK Counter-Kleptocracy Strategy' and administered through the Department of International Relations (DPIR), University of Oxford. Principal Investigator: Ricardo Soares de Oliveira, Professor of the International Politics of Africa at the DPIR, University of Oxford. Co-Investigators: Thomas Mayne, Research Fellow, DPIR, University of Oxford; John Heathershaw, Professor of International Relations, University of Exeter.

Published with the support of the Foreign Policy Centre



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Executive Summary

The public relations (PR) business in the UK has grown significantly over the last few decades, becoming an industry that generates billions annually. Good PR can – in the words of the Chartered Institute for Public Relations (CIPR) – “maintain goodwill and mutual understanding” between the public and an organisation or individual. But what if the aim of the individual is to whitewash wrongdoing or criminal activity, or to act on behalf of an authoritarian regime?

Russia’s full-scale invasion of Ukraine has highlighted the use of PR services by Russian oligarchs, but potential risks to society are not just limited to these individuals. The UK has become a second home to thousands of kleptocrats, political exiles, businesspeople and other players whose wealth has been built on corruption or unsure means. This new report examines the dangers and dilemmas that face PR firms and communication agencies when their clients come from kleptocratic jurisdictions.

A PR agent can act in a multiplicity of roles for their client, suggesting methods of influence and helping to establish networks by introducing the client to other professionals and influential individuals. The path to being accepted within UK society can be smoothed if an individual’s PR activities stress the value they can bring. Furthermore, individuals and companies can work with communication agencies and PR professionals to gain influence in our political system, with PR work overlapping with lobbying and public affairs firms. In this way, the PR industry fits into a wider landscape of professional services that cater to a variety of companies and individuals.

The PR industry thus presents a conundrum in the fight against money laundering and kleptocracy as it can be key in the establishment of relationships and networks that aid authoritarian influencing. These networks can become powerful systems in their own right, and can not only aid the flow of illicit funds from kleptocracies, but help such systems become entrenched through reputation laundering. These networks will often include individuals, such as solicitors and real estate agents that are regulated for money laundering purposes unlike PR agents.

This is why an analysis of the risks that face PR agents from corrupt actors is vital in trying to combat their influence. The report addresses these risks by exploring the types of services that PR agents provide and how these services can have damaging effects if utilised on behalf of disreputable clients. It includes several case studies where PR companies have unwittingly or otherwise engaged in questionable behaviour. For example, a campaign run by Bell Pottinger in South Africa “incited racial hatred,” according to the PRCA. The ensuing scandal led in part to Bell Pottinger’s closure.

Secondly, the report analyses what the potential remedies could be. Unlike in regulated sectors, anyone can set themselves up as a PR professional with no qualifications or expertise. Currently, the sector largely relies on a system of self-regulation and codes of conduct established by the two professional bodies, the CIPR and the Public Relations and Communications Association (PRCA), yet membership of these bodies is purely voluntary, leaving other PR agents to be guided by nothing but their

own ethics. The report therefore looks at the pros and cons of regulation (either by the government or a professional body). The only way to enforce change would be through regulation, yet creating an effective regulatory regime is costly, and would require constant oversight with no guarantee of success.

The report therefore recommends that PR professionals should research individuals and companies thoroughly before accepting them as clients, conducting 'due diligence' checks similar to 'know your customer' (KYC) research performed in industries that are regulated for money laundering. Much scrutiny should be focussed on a client who is or has been a 'politically exposed person' from a kleptocracy – a senior state official, politician, or a member of their family – as it is here where the risks of corruption, money laundering and authoritarian influencing are the most acute.

In a similar fashion, PR agents could report suspicions to a law enforcement agency if they believe a potential or existing client is engaged in money laundering. The report also suggests some best practice procedures that PR firms could follow, such as being transparent about who their clients are. Finally, the report discusses issues surrounding lobbying, and the introduction in the UK of the Foreign Influence Registration Scheme (FIRS), compelling those acting for a foreign power or entity to declare political influencing activity.

“PR professionals have largely flown under the radar when it comes to the fight against dirty money and kleptocracy. However, this report shows how PR agents can play a key role in laundering the reputation of corrupt players from overseas and help them to establish networks within the UK. The flow of dirty money into the UK can have a deleterious effect on not only our financial centre, but also our political, charitable and educational sectors. Therefore it is vital that we understand the risks and can mitigate against them. Hopefully this report will act as a starting point for that conversation within the PR world.”



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Introduction

The term public relations ('PR') is defined as the "professional maintenance of a favourable public image by a company, other organisation or a famous person."¹ PR can be used constructively, encompassing, in the words of the Chartered Institute for Public Relations, the "planned and sustained effort to establish and maintain goodwill and mutual understanding between an organisation and its publics."² However, its very nature – stressing the positive over the negative – can have damaging effects if utilised in the wrong way by PR agencies on behalf of disreputable clients. These effects can have real world outcomes if the client is a multinational company whose operations impact local communities or is a figure with political ties, either foreign or domestic, who could have a negative influence on public policy. With an increasingly connected world featuring multinational companies and 'globalised' citizens – high net worth individuals who have acquired several passports and reside abroad – this issue has come more to the fore.

This increasing interconnectedness brings both positive and negative aspects. In recent years, more focus has been placed on the influence corrupt nations and their proxies can exert on the political, financial, charitable, and other institutions in the Global North, and how professional services can aid these deleterious aspects. A buzzword of recent times is 'kleptocracy' – a system of governance where the ruling elite syphons state funds and maintains control over the profit-making businesses at the expense of the people.³ A kleptocracy consists of not just a sovereign state and those in power, but also the businesspeople

(such as Russia's oligarchs) who control key assets, and those professionals in a variety of industries who enable the country's wealth to be syphoned. A PR professional can, unwittingly or otherwise, play a role as an enabler of kleptocracy, acting within a transnational network of other individuals from a range of professions.

This paper attempts to examine the public relations industry, and the dangers and dilemmas that face PR firms when their clients are from kleptocratic jurisdictions. It also examines existing ethical frameworks and what could be done to improve them. This research draws on a series of interviews conducted in late 2022 and 2023, and a roundtable that took place at Chatham House in October 2022 that featured around 30 professionals from the PR and communications industry.

What is a kleptocrat?

Kleptocracy is an unofficial system of governance which entails two principal features: a) a home state based on patron-client linkages (the relationship between those in power and key allies in business and other sectors), and b) access to transnational networks of enablers which allow the banking and hiding of the proceeds of corruption overseas. Kleptocracies almost always consist of both kleptocratic states and kleptocratic networks. This combination of the vertical and horizontal, the national and the global, is essential to their form.

A kleptocratic state is one whose political economy is consolidated in the

hands of a small elite, usually based around the president, monarch or prime minister. A kleptocratic state ensures that lucrative contracts (anything from oil and gas extraction, major construction and infrastructure projects to telecoms contracts) are awarded to members of the ruling family and their associates through processes of grand corruption – the abuse of high-level power that benefits the few at the expense of the many. A kleptocratic state is thus virtually unlimited grand corruption, coupled with, in the words of American academic Andrew Wedeman, “near-total impunity for those authorised to loot by the thief-in-chief” – namely the head of state.⁴

In a kleptocratic state, the wealth of the sovereign (the patron) and their key allies (clients) may well derive from activities that are corrupt, rather than criminal (an action that has been or would be confirmed by a court of law as criminal). A common example of this is the awarding of a lucrative contract to a family member of a senior political figure. This may be legal depending on the law of the country in question but is clearly corrupt, because the contract is not being awarded in the public interest or for the benefit of the state. The individual profits unduly from their familial ties, not because of their expertise or competence. A second example is the selling of a state company to a family member or an associate of the ruling elite. As soon as the sale occurs, the formerly small or underperforming company receives contracts and massive loans from state banks, transforming it into a billion-dollar juggernaut. The company can then be sold in part or full on to a foreign company with the family member/associate of the ruling regime reaping the rewards. This is not ‘theft’

in the traditional sense, but as the entity was originally a government company, the state has lost vital revenues, with the benefit accrued by a politically connected individual in a private capacity.

Due to the kleptocratic character of the state, the majority of ‘illicit financial flows’ may not be defined as illegal in the home country. As Tuesday Reitano, Deputy Director at the Global Initiative Against Transnational Organized Crime, comments: “Policies and laws determine what is illegal – if they are warped under the influence of dirty money to permit and protect those who do wrong, they may no longer be illegal, but they remain illicit: inherently wrong by the norms of democratic governance.”⁵ Kleptocracies are usually authoritarian regimes: wealth and power will be lost if the elite cannot remain in control. As a result, political and civil liberties and freedom of speech are often curtailed. However, scandals involving illicit finance in Brazil (‘Operation Car Wash’), Nigeria (see the bribery allegations around the acquisition of oil licences) and many others (for example, Mexico, South Africa, Kenya) indicate how kleptocratic dynamics play highly significant roles in democracies and countries with pluralistic political systems.⁶

Once the assets have been transferred into the hands of the politically connected elite, the second aspect of kleptocracy comes to the fore: the transnational kleptocratic network. Here, monies and assets are taken out of the country for safekeeping, using networks of companies, banks and service providers, most of which are located in democratic states.

This is done for several reasons. Firstly, assets hidden behind complex corporate structures are hard to trace, out of the reach of not only potential political rivals at home but also law enforcement authorities abroad. The use of reputable international banks and wealth managers can also give the corrupted assets a veneer of respectability. As journalist Luke Harding explained to a UK Parliamentary Committee, the kleptocrat will “steal in a place of legal nihilism and... offshore in a place of legal solidity.”⁷ Secondly, assets held abroad can act as a financial safety net if the individual is ever removed from power in their home country, losing influence and any assets still held there. Finally, the accumulated wealth can be utilised to launder one’s reputation and create new power networks abroad in order to generate more wealth and influence, either for oneself, or for the kleptocrat’s home state. This paper concentrates on this third aspect, as it is the one that PR firms can play a key role in facilitating.

The necessary co-existence of these two elements of kleptocracy – the national state and its global networks – creates a puzzle. Given that an external and ‘global’ standard of democracy is necessary to evaluate what corruption is, aren’t global networks the solution to the problem of kleptocracy? This is the contention of the academic literature on “transnational advocacy networks” – that global exposure shames local kleptocrats.⁸ It is also the premise of the anti-corruption industry.⁹ However, competing with transnational advocacy networks are “transnational uncivil society networks” composed of a range of actors in the reputation management industry. These actors include bankers, solicitors, accountants, real estate agents,

wealth managers, and citizenship-by-investment advisors.

In regard to high-net-worth individuals (a group which includes kleptocrats and other players whose wealth has been built on corruption), a relatively modern development has been the idea of the ‘concierge lawyer’ – a trusted advisor who helps a client make informed business and personal legal decisions. However, the PR agent can act in a similar fashion, playing a multiplicity of roles for the client, suggesting methods of influence and helping to establish networks by introducing the client to other professionals and influential individuals. The path to being accepted within UK society – acquiring property, residency, and further lucrative investments – will be smoothed if an individual’s PR activities stresses the value they bring to society. Furthermore, both individuals and companies can work with communications agencies and PR professionals to gain influence in our political system, with PR work overlapping with lobbying and public affairs firms. The PR industry thus fits into a wider landscape of professional services that cater to a variety of companies and individuals and this is why an analysis of the risks that face PR agents from corrupt actors is vital in trying to combat their influence.

Section 1:

Introducing the PR sector: size, membership bodies, qualifications

The PR business in the UK has grown significantly over the last several decades: in 2010, The Guardian put the figure at £7 billion a year.¹⁰ This rose to £9.62 billion in 2013 and £12.9 billion in 2016, according to the PR Census. It put the total number of employees working in PR and communications at 62,000 in 2013 and 83,000 in 2016.¹¹ Current figures put the total number of firms and sole practitioners as between 90,000-100,000 in the UK, although it is a difficult number to pin down as 'public relations' covers many broad areas of work and numerous activities. Most PR agencies are not large, with over 82 per cent employing four or fewer people in 2017.¹² There is no qualification needed to become a PR practitioner.

There are two membership bodies that those involved in PR work can sign up to: the Public Relations and Communications Association (PRCA) represents 35,000 professionals in over 80 countries, while the Chartered Institute of Public Relations (CIPR) has over 10,500 members, with 600 based internationally.¹³

The latter was founded first, in 1948, as the Institute of Public Relations, becoming the CIPR in 2005 when it was awarded chartered status by the UK's Privy Council. The PRCA was founded in 1969 in response to the creation of large PR agencies, many located in the United States (US). The PRCA also took over the global umbrella body in 2013, the International Communications Consultancy Organisation (ICCO), which draws together 41 PR associations across the world, representing 3,000 firms in over 80 countries.¹⁴ The PRCA and CIPR have grown more similar over the years, offering membership to both

individuals and agencies, although most large agencies tend to join the PRCA with the majority of small firms, as well as those in the public sector, joining the CIPR.¹⁵

There is currently no requirement for any PR professional to join either body. According to the former director general of the PRCA, Francis Ingham, membership is the norm for respectable companies: "Pretty much every respectable agency is a member... It is seen as a requirement to trade, a stamp of ethical behaviour and professional practice."¹⁶ However, only around one in three firms are currently members of either membership body, and some PR practitioners hold negative attitudes in relation to these organisations.¹⁷ In 2022, several PR agencies left the PRCA, citing leadership concerns.¹⁸ The PRCA launched a formal governance review in October 2022, with the initial completion date envisaged to be around March 2023.¹⁹ The report was delayed due to the death of PRCA's long-time director general, France Ingham, that month.²⁰ In May 2023, the PRCA announced it had completed its governance review and had agreed a new roadmap for its future structure, including a slimmed down management board.²¹

Both membership bodies offer some form of qualification.²² The CIPR offers "accredited" status which is described as "a hallmark of [the practitioner's] commitment to professional excellence". To become accredited, the individual must be at the "member" grade (representing two years or more of PR experience) and have completed two continuous cycles of ongoing professional development, or one if the

individual holds the CIPR Professional PR Diploma or a CIPR recognised Master's degree.²³ There is also a higher and more prestigious designation, "Chartered Public Relations Practitioner", which explicitly tests members in the area of ethics.²⁴

The PRCA offers a range of qualifications for individuals depending on their level of experience, the highest being the PRCA diploma for those with more than four years' experience and specialist diplomas for those moving into a leadership role.²⁵ It is thus possible to be a member of one of two bodies while working for a firm that is not itself a member.

What ethical frameworks and guidelines currently exist?

Many industries are subject to regulations, which set certain behavioural and ethical standards. Academic literature on the meaning and essence of regulation has increased as the concept has spread to many different facets of public life. A 2015 article, 'What is regulation? An interdisciplinary concept analysis', notes the "remarkable absence of explicit definitions" and attempts to address this by analysing previous work on the subject to find common identifiers. The conclusion is that most definitions revolve around the idea of direct intervention by a public body (though private regulators are considered too in the article) over the activities of private entities which involves standard-setting, monitoring and sanctioning in order to promote compliance with a set of rules.²⁶

Unlike, for example, law and accountancy, public relations does not operate within a single regulatory framework, and anyone can set themselves up as a PR agent with no qualifications or expertise. The PR sector largely relies on a system of self-regulation, established by the two professional bodies, the PRCA and CIPR. In essence this is achieved through a system of training and adherence to a code of conduct. The PRCA's code of conduct is in the form of a professional charter which says that members have a "responsibility at all times to deal fairly and honestly with fellow members and professionals, the Public Relations and Communications profession, other professions, suppliers, intermediaries, the media of communication, colleagues, and above all else the public."²⁷

The conduct towards the public says that members should "conduct their professional activities with proper regard to the public interest" and "have a positive duty at all times to respect the truth and shall not disseminate false or misleading information knowingly or recklessly, and to use proper care to avoid doing so inadvertently."²⁸

The PRCA has also issued statements on specific issues. Following Russia's attack on Ukraine (and prior to the UK Government ban on PR firms working with clients from Russia), the PRCA threatened its members with expulsion for working with sanctioned entities and urged members to consider the reputational consequences of working for companies that have ties to the Russian government.²⁹

The CIPR's members are bound by its code of conduct, whose main principles are of integrity and honesty: the code says that members should "maintain the highest standards of professional endeavour, integrity, confidentiality, financial propriety and personal conduct."³⁰ According to the code, good public relations practice includes never deliberately concealing the practitioner's role as a representative of a client or employee.³¹

The code has some sector-specific standards for lobbying, which includes the professional disclosing who they are and whom they represent, including the nature of their client's or employer's interests. It also says that lobbyists should provide information that is accurate and does not intentionally mislead, and that they should not use access privileges in lobbying activities. A separate guide for lobbying covers the standards more extensively.³²

Such codes of conduct are positive developments created within the industry. However, unless the PR activities in question are particularly egregious (see Case Study 1), certain concepts such as 'integrity' and 'honesty' are hard to pin down; what one individual considers to be 'misleading' may be regarded by another as fair comment.

According to the CIPR's chief executive Alastair McCapra: "We've tried to resist appeals to pad out the code of conduct: We think our code of conduct's strength is its simplicity – simple high-level propositions," adding that the CIPR is happy to issue supplementary guidance when it is appropriate.³³ Thus, the CIPR has also some guidelines on specific activities, including best

practice guidance for Wikipedia, and guidance on possible "know your client" procedures, which are both discussed in more detail in sections 2 and 3.³⁴

Both membership organisations have some form of complaints procedure which includes various disciplinary options, including a formal warning or even expulsion from the body. The CIPR also says it has the ability to publicise wrongdoing in order to relay the nature of the concern, warn others about the firm in question, and hopefully embarrass the individual or firm into correcting their actions.³⁵



Case Study 1: Bell Pottinger scandal

This case study serves as an example of how a UK based PR firm can play a significant role in the political landscape of another country, aiding those in power at the risk of destabilising society as a whole. It is a story from South Africa, which, under President Jacob Zuma, is a perfect example of a country, which – though democratic – was affected by grand corruption, state capture and other elements indicative of kleptocratic networks.³⁶

In 2017, Bell Pottinger, one of the UK's largest public relations firms, was expelled from its membership body, the PRCA, in relation to work the firm had done in South Africa on behalf of the Guptas, a controversial high-net-worth family with political ties. Bell Pottinger already had a history of representing controversial clients, including the Pinochet Foundation; Syria's first lady, Asma al-Assad; and Alexander Lukashenko, the authoritarian President of Belarus, but it was the negative publicity surrounding its South Africa dealings which led to many of its other clients to cease working with the firm, causing it to go into administration in 2017.³⁷

According to the South African Sunday Times, the work Bell Pottinger conducted in the country on behalf of the Guptas included a covert social media strategy using a network of fake accounts. The aim was an attempt to influence public opinion by using racially charged language, portraying the Gupta family as victims of a conspiracy.³⁸ It heavily edited the Guptas' Wikipedia page in its favour and attempted to mislead or undermine journalists who were asking questions in relation to the campaign.³⁹

The PRCA said the Bell Pottinger campaign was "likely to inflame racial discord in South Africa", with director general Francis Ingham commenting: "Bell Pottinger has brought the PR and communications industry into disrepute with its actions and has received the harshest possible sanctions... The PRCA has never before passed down such a damning indictment of an agency's behaviour."⁴⁰

Section 2:

What services can PR agents provide to kleptocrats?

Many PR firms and practitioners will rarely face any of the risks identified in this section due to the nature and scope of their work. Other firms who do work with clients from authoritarian countries may be cognisant of the dangers, yet there will be those who will be unaware. There may also be occasions, discussed below, where the PR firm is unknowingly assisting clients from problematic jurisdictions.

Virtually all of the behaviours and activities described below are not illegal, although laws vary from country to country. Of course, PR firms are free to choose their clients and interact with them however they see fit within the confines of the law. Ultimately it is more a question of ethics, although as the Law Society explains to its members – in advice equally applicable to PR firms – contracting with unscrupulous characters may have a knock on effect on the reputation of the firm as a whole: “Even if you, as a practice, are operating entirely lawfully and going about your advisory business quite innocently, if your client is or has behaved in a way which is unpopular, unethical or seen as inequitable – or even if it has a reputation for any of these things – there is the potential for your firm to become tainted by association.”⁴¹

This section attempts to outline some of the issues pertinent to dealing with clients from kleptocracies and corruption hotspots. As such, most of this information relates to private clients, both companies and individuals. The risk of money laundering and hidden authoritarian influencing is absent if the PR agency is contracting with a nation state.

Many nations who have strong economic ties with countries of the Global North form ties, including with PR agencies, based on a wider ‘geopolitical’ licence to operate. This is the case of Saudi Arabia, whose engagement with, for example, London-based facilitators is a system-wide affair that results from the nature of UK-Saudi relations. As one PR agent commented: “if we already sell them weapons and build their prisons, why shouldn’t I write a press release for them?”⁴² However, reputational concerns remain: these issues are outside of the scope of this report, other than the general advice of establishing ethical guidelines.

Regarding kleptocracy, most pertinent to the UK’s national security and the soundness of its political, charitable and educational systems is the danger of subversive influencing by an authoritarian government, point 3 below. Points 1 and 2 relate more to risks that benefit the kleptocrat personally, although the nature of kleptocracy – a blurring between public and private – means that accrued personal benefit will often feed into overarching benefits for the kleptocratic state (for example, an oligarch gains personal benefit from laundering his reputation, which can then be put to use to benefit the state).

1. Money laundering / corrupt funds

Companies and high-net-worth individuals from corruption hotspots pose the risk that their funds may originate in criminal or corrupt acts. PR agencies are thus faced with the possibility:

- They may be paid with funds that are criminal or corrupt in origin.
- They may inadvertently help the client place corrupted funds into various political and charitable institutions.

Currently, PR agencies are not regulated for money laundering purposes and so do not need to perform any checks on their sources of wealth, or report suspicions regarding the client to the authorities unless the client actually tells the professional that the funds that they intend to pay with have been illegally acquired. One could compare this to a shop owner who has no legal responsibility for checking where a customer's cash has come from.⁴³ Thus, the question of accepting or using tainted funds is not one of criminal liability for the PR firm, but one of ethics and moral responsibility, especially as the nature of the relationship is closer than that between shop owner and customer.

The nature of kleptocracies (see section on page 4) means it may not be adequate when assessing conduct to simply rely on whether the individual has a criminal record or faced accusations of illegal conduct. A key issue with kleptocracies is that they lack the rule of law, with the result that very few members of a political elite will have a criminal conviction even in circumstances where criminal conduct has taken place.

Along with reputational risks for firms that work for clients who have faced allegations of financial crime, there is also a possibility of non-payment for work should law enforcement authorities launch an investigation and freeze the funds held by a particular person or company. This may include funds received by a PR firm as payment for services.

2. Reputation laundering

An article published by The Guardian in 2010 ('PR firms make London world capital of reputation laundering') was one of the first to highlight the role professional relations firms play in modern-day reputation enhancement.⁴⁴ Of course, enhancing one's reputation through positive messaging is not a new concept, but with an increasingly globalised world, the dangers of 'reputation laundering' have increased. The term is hard to define exactly, but suggests practices that go beyond usual public relations work into something more shadowy, disreputable or unethical. These activities have the effect of whitewashing or concealing previous bad behaviour, and/or conferring on an individual or company prestige, value or importance that the client's actual conduct does not warrant.

Reputation laundering is more often associated with individuals, but companies and even nation states can also use similar tactics to improve their image (for example, see the debate about 'sportswashing').⁴⁵ The ultimate aim of individuals may simply be personal benefit – to create new opportunities for wealth creation, for example. However, the individual may be working on behalf

of a foreign state, as discussed above, with the aim of creating new power networks to aid the kleptocratic state, either politically or financially.

Reputation laundering tactics include:

- The removal or suppressing of accurate but negative articles in the public domain about the client.

In 2023, investigative group OCCRP published a report about a Spanish firm allegedly specialising in the removal of negative articles from the internet. OCCRP referred to it as a “reputation laundromat for criminals” and alleged that the company used “an array of underhanded tactics to stifle criticism of its clients, from intimidating journalists to churning out fake news”, including getting articles removed from the internet using “falsified copyright infringement notices”.⁴⁶ It is obvious how these can contribute to the unethical whitewashing of corrupt or illegal behaviour – the truth is suppressed in favour of misleading, biased or inaccurate reporting. This means that professionals in other sectors – and the wider public – will not learn the complete history of an individual or company, which may open doors that would remain closed if the full truth were known.

- The editing of a Wikipedia page or other online database to remove anything negative or controversial.

Wikipedia is an online encyclopaedia that can be edited by anyone. It is clearly a conflict of interest for a PR firm to edit the page of a client, other than correcting very basic facts, because of the vested interest it possesses.⁴⁷ In 2011, it was reported that agents from

Bell Pottinger had made hundreds of Wikipedia edits for their clients, including on the pages of a South African arms manufacturer, the former President of Zambia, the Chief Minister of Malaysia, and a campaigner critical of the Malaysian Minister.⁴⁸ In June 2012, the CIPR published some best practice guidelines regarding Wikipedia, which recommends that a PR professional not edit the page of their client or of organisations that are in competition with their client.⁴⁹ Instead, PR professionals should create an account which identifies them and the firm they work for and engage with regular contributors if they feel an article is unbalanced. In 2014, 11 PR firms pledged “ethical” use of Wikipedia, where professionals would declare their involvement with the subject of a page before making edits and liaise with page editors about any changes.⁵⁰ Those that do not abide by these guidelines run the risk of being accused of being involved in reputation laundering by professional bodies and the wider public.

- The publication of ‘puff pieces’ or misleading articles in media outlets, or the commissioning of whitewashing due diligence reports by corporate intelligence firms or academics.

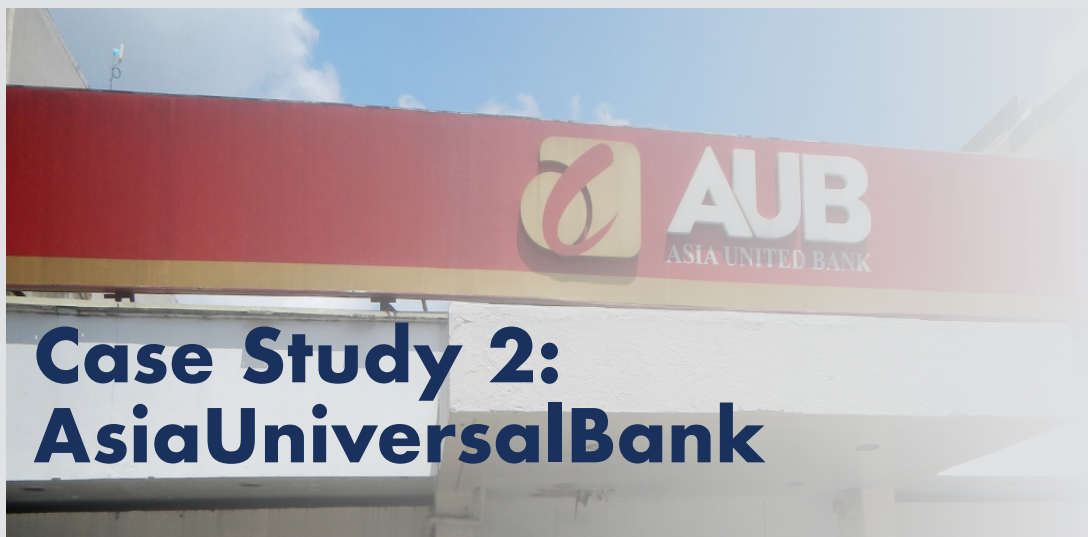
Not all ‘reputation laundering’ activities involve subterfuge or threatening behaviour. A less underhand version of the suppression of negative articles is the commissioning of media pieces which extol the virtues of the company or client. For example, in 2023, one academic reported that he had been approached by a PR firm wanting him to write an article on the positive developments in Uzbekistan, offering money upfront, to

be paid by the country's government.⁵¹ If such articles are clearly identified as having been paid for and by whom, there is little harm, other than to the reputation of the academic or expert, though such articles may still help to sway public opinion. Without such a disclaimer, the views expressed will come across as unbiased when they are not, due to the contractual relationship.

In a similar fashion, PR firms can turn to trusted due diligence or corporate intelligence firms to produce reports that aim to explain away any allegations or convictions a client may possess (see case study below). In this scenario, even though such reports will likely have been identified as being commissioned by the client, the report will lack impartiality, may be one-sided, and could influence how that individual is treated in the future in public spaces. Unlike media articles, such due diligence reports are not publicly released, but are used to influence opinion behind closed doors. This risk was identified in the UK Parliament's Russia report which said that "a large private security industry" has aided and protected the Russian elite by seeking compromising material on competitors, and helping to "fabricate 'due diligence' reports".⁵²

When a client is subject to potentially damaging allegations or litigation, PR companies will attempt to control the public narrative. The line at which point these tactics become 'misleading' and without 'proper regard to the public interest' (concepts included in the membership bodies' codes of conduct, as discussed above) and become part of a reputation laundering exercise is debatable. But the dissemination of misleading press releases can be

particularly troubling in the context of litigation: faced with judgments often running to hundreds of pages, journalists needing to get their story out quickly may rely too heavily on summaries of complex court rulings provided by PR firms working for one of the parties involved in the litigation. An example of this occurred in 2021 when Russian oligarch Roman Abramovich sued HarperCollins, the publisher of *Putin's People*, a book by investigative journalist Catherine Belton. Arabella Pike, HarperCollins' publishing director, described how there were a number of "disobliging" articles in the tabloid press that in her opinion "utterly distorted" what had happened in court and put this down to her side struggling to inform journalists who were "up against a deadline to get 800 words up on to a website, within half an hour".⁵³ Thus, public relations' work in relation to legal proceedings could undermine fair and accurate reporting on cases, may unduly undermine journalists' credibility, and might over time even erode confidence in the impartiality of judicial decision-making.



Case Study 2: AsiaUniversalBank

This case study demonstrates how the good reputation of a PR firm can lend legitimacy to whole businesses, including those that may be involved in corrupt practices such as money laundering. It concerns the Kyrgyz Republic, a politically volatile country in Central Asia that has suffered to varying degrees from a kleptocratic system of political economy since gaining its independence in 1991.⁵⁴

In 2012, anti-corruption NGO Global Witness reported on how a US headquartered PR agency had improved the standing of AsiaUniversalBank, a bank in the Kyrgyz Republic, by helping to recruit three former US Senators to the bank's board. The PR firm recommended that the bank also employ a major US risk and advisory company to report on the bank's anti-money laundering controls and assess the bank's reputation. The resulting reports did not find major causes for concern regarding money laundering and significantly downplayed the risk posed

by the bank's potential ties to the son of the then president of the Kyrgyz Republic, who was widely identified as a corrupt figure, and was friends with the bank's chairman. After a change in the Kyrgyz Republic's leadership, an independent audit by an international accountancy firm found that the bank was in fact a money laundering vehicle and had been used to transfer millions of dollars out of the country (although there is no suggestion that the PR firm, the Senators or the risk and advisory company knew this at the time of their work with the bank).⁵⁵

It is clear that the PR firm's work helped to confer on the bank a legitimacy that was not warranted, allowing it to maintain its position as the country's largest bank and broaden its ties within the international banking sector.

- Launching libel or data protection claims, or threatening to launch such claims, against journalists with the aim to curtail public interest reporting.

These are referred to as Strategic Lawsuits Against Public Participation (SLAPPs), defined by the UK Government as “an abuse of the legal process, where the primary objective is to harass, intimidate and financially and psychologically exhaust one’s opponent via improper means.”⁵⁶ In a report published by the Foreign Policy Centre, the authors state that “SLAPPs are initiated by influential elites, often state actors, business entities or powerful individuals, and their targets include journalists, human rights defenders, civil society organisations, activists, academics and anyone else who expresses an opinion on a public matter that is uncomfortable for this elite. The desired outcome is to silence the speaker and have a chilling effect on other critical and dissenting voices.”⁵⁷

In March 2022, a High Court judge threw out a libel action brought by ENRC Ltd, a Kazakh based mining company owned by Central Asian billionaires, against journalist Tom Burgis and HarperCollins, the publisher of his book *Kleptopia: How Dirty Money is Conquering the World*.⁵⁸ The case was widely cited as a SLAPP with Caroline Kean, a partner at law firm Wiggin, calling it “one of the most blatant” examples she had ever seen.⁵⁹ In March 2022, then Deputy Prime Minister Dominic Raab launched a call for evidence in order to tackle the chilling effect of SLAPPs cases on public interest journalism, with the Government’s response to the evidence

published in July.⁶⁰ Amendments added to the economic crime and corporate transparency bill made in June 2023 hope to address the issue of SLAPPs from a legislative point of view.⁶¹

Even though the focus of the Government’s enquiries is predominantly law firms (as libel and defamation claims are a legal matter), SLAPPs might be encouraged, directed or supported by PR firms. Indeed, the Lords Committee call for action on SLAPPs said that one of the priorities was “increasing oversight of the relationship between law firms and ‘black PR’ and private intelligence organisations, which may be used as part of a SLAPP case to monitor and intimidate journalists.”⁶²

- Appearances at reputable institutions or high-profile events.

This activity (and the one outlined in the next bullet point) may at first glance appear neutral or even beneficial to the public good. However, such actions may hide ulterior motives or be later used in unexpected and more sinister ways. It is an aspect that the UK Parliament drew attention to in its Russia report, published in July 2021: “[Russian] money was also invested in extending patronage and building influence across a wide sphere of the British establishment – PR firms, charities, political interests, academia and cultural institutions were all willing beneficiaries of Russian money, contributing to a ‘reputation laundering’ process...”⁶³

In 2022, a paper on the funding of the university sector concluded that: “universities and think tanks in open settings are prime targets for reputation laundering,” highlighting how by “serving

as guest speakers or lecturers at high-profile events” the kleptocrat is provided with “a platform from which they can garner positive publicity and present themselves as influential philanthropists and leaders”.⁶⁴


- Donations to philanthropic causes and political bodies or figures.

Endowment to university programs may confer “prestige to the donor and creating new networks for overseas employment, association, and residence,” but more importantly, such donations “allow private citizens to garner legal standing and support in their country of operation, or to influence the academic remit of certain institutions”.⁶⁵ The 2022 paper goes on to cite the example of a Ukrainian businessman who cited his donation to a British university as evidence of his good reputation in the UK in a libel case he brought in London, as the UK’s libel laws require the claimant to have a strong link to the UK in order for the case to be heard (the lawsuit was dismissed as the link to England was not deemed sufficient).⁶⁶

Although there is no concrete evidence so far of where a high-net-worth individual has directly influenced the academic remit of a British institution through donation, one can easily envisage self-censorship: for example, a university that relies on funding from China may avoid employing academics with critical views of the Chinese Communist Party, and may not offer courses or modules that portray the country in a negative light, such as corruption studies.

Kleptocrats can of course seek to donate to such institutions of their own accord, but often the path to such philanthropy may be suggested and aided by PR agencies. For example, PR firms can play a significant role in getting tainted donations accepted by institutions or getting the client invited as a guest speaker. The PR firm’s reputation will lend a sense of legitimacy to the client: a university or charitable foundation may not accept funds from, or extend an invitation to, a particular individual directly, but would if backed by a reputable PR agency.

Many institutions will have some kind of ethics committee or vetting process to assess the suitability of the donation, irrespective of whether it has come via a PR agency. However, research into university donations has shown that scrutiny is often lacking, and as universities currently do not have to reveal their donations, there is a question over whether the process is robust, and the backing of a reputable PR agency may swing the balance in a suspicious donor’s favour.⁶⁷

The image shows the flag of Angola, which is divided horizontally into red and black sections with a yellow gear and star in the center. The flag is waving against a light blue sky.

Case Study 3: Isabel dos Santos

This case indicates how PR firms can be used to launder the reputation of kleptocrats and undermine criminal investigations. The country of focus is Angola, whose authoritarian president José Eduardo dos Santos ran the country from 1979 to 2017, leaving behind what was described by the Human Rights Foundation as a “legacy of Kleptocracy”.⁶⁸

In January 2020, prosecutors in Angola accused dos Santos’ eldest child Isabel and her associates of mismanaging and embezzling \$1 billion from the state oil company, Sonangol, which she headed from 2016-2017.⁶⁹ Her assets in Angola and in Portugal were subsequently frozen. This was followed by Interpol issuing a ‘Red Notice’ calling for her provisional arrest in November 2022.⁷⁰ She is considered to be a person of interest in relation to various criminal investigations in Angola and Portugal but has not been indicted.⁷¹

According to the Investigative Consortium of Investigative Journalists (ICIJ), dos Santos earned this fortune while her father was president through various insider dealings in oil, diamonds, telecommunications, banking, and real estate.⁷² State investigative sources in Lisbon said the Interpol Red Notice alleges dos Santos created corrupt financial mechanisms “with the intention of obtaining illicit financial gains and whitewashing suspicious criminal operations.”⁷³ Forbes described it as a “textbook case of how to loot a country”.⁷⁴ Dos Santos has repeatedly denied any wrongdoing and said that Angolan courts were “not independent” and that judges there were “used to fulfil a political agenda”.⁷⁵ Her net worth was

estimated in 2013 by Forbes at \$3.5 billion.⁷⁶

Until her assets were frozen, dos Santos’ reputation had been laundered by a series of high-profile appearances: the London Business School and the London School of Economics in 2017, Warwick University and the Yale Undergraduate Association for African Peace and Development in 2018, and the ECR Africa Summit in the European Parliament in 2019. As one commentator noted: “By laundering her image, these universities and organisations assisted in presenting her as a legitimate business person.”⁷⁷

Following the freezing of her assets, dos Santos then used PR firms to ridicule the case against her. This included highlighting how a fake passport signed by martial arts actor Bruce Lee was used, in dos Santos’ words, “as proof” to seize her assets. This was widely reported by such media outlets as the BBC, Forbes and Bloomberg.⁷⁸ According to research conducted by Rui S. Verde, a research associate at the African Studies Centre at the University of Oxford, the coverage was misleading – although such a passport was included in the prosecutor’s file, it did not form part of the case against her: a December 2019 decision issued by the judge in Luanda who ordered dos Santos’ arrest, there was no reference to the passport. It is unclear what research the PR firms that helped dos Santos disseminate her message did to back up her claim. A week after these reports were published a court ruling stated, “The court did not base its decision on the copy of the passport”, but this received little media coverage.⁷⁹

3. Authoritarian influencing

All countries attempt to gain influence over others through a variety of means – diplomacy, trade, infrastructure projects, media. Undemocratic, kleptocratic nations are more likely to use underhand and unethical forms of manipulation. The link between the state and this kind of activity is sometimes clear – for example, propaganda masking as news through state-owned television channels, such as Russia Today.

However, the link to a kleptocratic nation may not always be apparent; a particular entity may have been created for the express purpose of masking links to a kleptocracy – a 'Trojan horse'. Their stated aim may be different from their real goal of political influence: either to censure criticism of a particular country, or to establish contacts with reputable, influential people so that they are co-opted, knowingly or otherwise. This aspect is related to broader reputation management which can involve many different industries and professionals, not just the PR industry; the activity is explained first, with aspects that touch on PR professionals dealt with in the next section.

Authoritarian influencing could be conducted by:

- A 'Trojan Horse' company that has no apparent link to a sovereign state but has hidden close financial or personal ties to it and/or is acting on behalf of it.

This type of activity can be manifested in many ways. A company's shareholders and/or financial flows can be hidden behind complex structures, making

its ultimate owners anonymous. Or a company's stated shareholders may just be proxies with the actual owners hidden from view. Often this is achieved through the use of offshore companies, but this is not always the case. The ease of company registration in mainland UK has long been identified as a weakness in the fight against financial crime, terrorist financing and kleptocracy.⁸⁰ Thus, a company may appear to be British and be run by British directors yet will be controlled by figures from overseas. Such companies may even deny links to a particular country or regime while maintaining them in secret.

Sometimes the link to a foreign power will not be hidden and the influencing activity will take on more subtle characteristics, appearing to be benign by participating in such activities as arts funding, as a distraction to other forms of influence. This is true of the case study below, where the involvement of the son of a government minister in the European Azerbaijan Society was on the public record. Yet one can easily imagine similar organisations where such ties to political figures are obscured through the use of proxies, or that the work itself is a proxy for something else.

- An individual who declares that they are acting as a private citizen, claiming to have cut all ties (or even be in opposition to) their home state, while actually acting on behalf of it.

Trojan horses do not have to be companies. Taking Russia as an example, although the most famous oligarchs' links to Putin are well-documented, there will be less prominent figures who now live abroad whose relationships to the Kremlin have been

kept secret. Speaking in 2018 to a Parliamentary Committee, Roman Borisovich, a Russian anti-corruption campaigner, commented: "Every one of them [i.e. oligarchs] made money through a relationship with the Russian Government ... That bond forces them to do all sorts of chores for Putin, whether hidden, visible or invisible. It might be donating \$7 million to the GOP [US Republican Party] in the year of the presidential election in the States, or supporting an anti-EU think tank in Germany. They all do something; it is just that we don't see most of it."⁸¹

- A network of people and/or organisations within democratic states themselves.

PR firms and other organisations may become pawns of trojan horses – in essence, becoming themselves agents of the foreign state, unwittingly or otherwise. As Bill Browder, a businessman turned anti-corruption campaigner, said: "Russian state interests work in conjunction with and through criminal private interests, set up a 'buffer' of Westerners who become de facto Russian state agents, many unwittingly, but others with a reason to know exactly what they are doing and for whom."⁸² This practice is by no means unique to Russia and the countries of the former Soviet Union.

The work western PR firms perform is more usually focussed on the client's reputation in the country to where they have relocated. But the creation of new power networks in a Western European country may mean less criticism and sanctioning of the foreign power. The UK Parliament's Russia report, for example, said that it was: "notable that

a number of Members of the House of Lords have business interests linked to Russia, or work directly for major Russian companies linked to the Russian state – these relationships should be carefully scrutinised, given the potential for the Russian state to exploit them."⁸³ Although some of those members may have been approached directly by the Russian companies, it is likely that others were recruited through PR agencies (as the former US Senators were in Case Study 2).

In extreme cases, working with Trojan horses and using reputation laundering tactics may mean that PR firms are helping to entrench kleptocracy, corruption or state capture – where the instruments of state are warped in favour of government officials, private companies or private individuals. One aspect of the Bell Pottinger South Africa case (Case Study 1) was that the work attempted to burnish the reputation of a family-owned investment company, which had connections to Jacob Zuma, the then South African President. Zuma's son Duduzane – a friend of the Guptas – was involved in the negotiations with Bell Pottinger.⁸⁴ In another famous example, Cambridge Analytica, a political consulting firm, collected data from Facebook users without their consent and used it to attempt to influence a variety of national elections.⁸⁵ Though not a PR firm, Cambridge Analytica approached dozens of PR companies (but was apparently turned down) in an apparent attempt to spread its message, highlighting the possible harmful synergies that can be created between PR firms, communication agencies and political consulting groups.⁸⁶



Case Study 4: The European Azerbaijan Society

This case study shows not only how 'friendship' groups can act like PR firms themselves, but how they can influence, often with the aid of UK-based PR professionals, Western parliaments on behalf of authoritarian regimes.

Since 1993, Azerbaijan's presidency has been held by one family, the Aliyevs, with Heydar Aliyev, a former Soviet official, ruling until just before his death in 2003, and succeeded by his son, Ilham. The country has been identified as a kleptocratic state, with the international press reporting on countless stories of corruption – from the 'Azerbaijani laundromat' – a money-laundering operation and slush fund that saw \$2.9 billion pass through it over a two-year period – to the bribing of politicians in the Council of Europe, to the fact that the Aliyev family and associates own almost \$700 million of property in London alone.⁸⁷

The European Azerbaijan Society (TEAS) was an organisation founded in 2008 to promote the business and culture of Azerbaijan. However, one of its directors was Tale Heydarov, the son of the Azerbaijani Minister of Emergency Situations, who had been described in a leaked diplomatic cable as possibly "even more powerful than the President [Ilham Aliyev] himself".⁸⁸

Research by Transparency International indicates that TEAS was the second biggest spending foreign lobby group

in the House of Commons up to 2017, and founded the 'Conservative Friends of Azerbaijan'.⁸⁹ It also provided secretarial support to the All Party Parliamentary Group (APPG) on Azerbaijan, "framing the discussions they have and ensuring human rights and democracy are not on their list of considerations" according to one human rights group.⁹⁰ The organisation often took MPs, MEPs and foreign government officials on luxury trips to Azerbaijan.⁹¹ One member of the House of Lords, Lord Laird, gave advice to TEAS via his employment with a PR firm, and chaired its advisory board.⁹² Another, Lord Kilclooney, sat on TEAS' advisory board in 2010, and was also the Vice Chair of the Azerbaijan APPG from 2015.⁹³ On a trip to Azerbaijan in 2010, he said that the country "believes in democracy".⁹⁴ This was two years after Ilham Aliyev had been re-elected with 87 per cent of the vote.⁹⁵ Conservative MP Mark Field joined the TEAS board in 2011, was paid £6,000 a year for the role, with TEAS also covering Field's expenses on multiple trips to Azerbaijan.⁹⁶

TEAS' deputy chairman Edward Lord – an assistant to Lord Kilclooney – published an article in Prospect Magazine in 2011 which spoke of the country's "astounding" achievements, commenting that "while democratic roots may not have taken hold as fast as some in the west might like, according to international bodies whose role it is to monitor and build democracy, the story is improving."⁹⁷

The same individual was caught by undercover reporters saying that a PR firm he was assisting had “quashed” a “smear story” about the treatment of LGBT people in Azerbaijan after it won the hosting of the Eurovision Song Contest in 2012.⁹⁸ (After the TBJ report was published, Lord told the Bureau: “I attended the meeting as a personal favour to Mr Pursey merely to provide him with back-up and added credibility for what he believed was a legitimate potential client. With the benefit of hindsight, I should not have done so.”)⁹⁹

Some of TEAS’ actions appear benign – charity football matches, jazz receptions at the Conservative Party conference – but TEAS’ also lobbied regarding the long-standing dispute with Armenia, saying it was trying to “raise awareness of the Nagorno-Karabakh conflict.”¹⁰⁰ TEAS was dissolved in 2020.¹⁰¹

Section 3:

What measures could the PR industry adopt to address these risks?

This section looks at ways in which the risks identified in section 2 can be addressed.

Each idea begins with a discussion of how viable the proposal is, based on interviews conducted for this project with PR professionals and other experts. The section then goes on to explore how the suggestion can work in practice and offers practical guidance for PR firms looking to adopt such principles.

1. Government or professional body regulation

In its various forms over many different sectors, regulation is designed to protect society and members within it from harm, be it financial or otherwise. Thus, the Safeguarding Vulnerable Groups Act of 2006 defines regulated activities that prevent barred individuals from performing, many of which involve working or interacting with children or at-risk adults.¹⁰² Professions that have a significant impact on a person's wellbeing – including healthcare and financial services – are also regulated to set standards to prevent malfeasance and malpractice. This is to stop rogue traders having serious impacts on, in regard to the medical sector, a person's health, or from causing great financial harm, either through incompetence, or wilful and even criminal intent, in relation to financial services.

Depending on the particular activity, regulations are defined by either rules or principles. According to the CFA UK, a membership body of investment professionals: "principles based regulation reduces the potential

for 'creative compliance' and forces firms to consider the implementation of regulation and how it applies to their business rather than adopting a 'tick-box approach'. Principles based regulation also has the advantage that it may not need updating as frequently to respond to new developments.¹⁰³

The downside of principle-based regulation is that a set of standards might not be clear, making it difficult for firms to comprehend exactly what is required, and for members of the public to understand what firms should be delivering in terms of their oversight. With all regulation there are always concerns about costs for firms and the stifling of innovation. The UK has generally favoured principle-based approach forms of regulation, including in the legislation governing money laundering in the financial services.

Although certain aspects of PR work may interact with existing regulations, such as advertising standards, the profession as a whole is not regulated, and it is worth noting that very few countries have any kind of regulation over the PR sector. In some countries, such as Nigeria and Kenya, there is a need for qualification or accreditation but these are arguably more representative of professional gatekeeping and governmental control, rather than a genuine attempt to curtail questionable practices.¹⁰⁴ In the Global North, there are even fewer examples of regulation. Recently, the original version of the ENABLERS Act in the United States planned to expand the definition of a financial institution for anti-money laundering checks and the reporting of suspicions on "persons engaged in the business of public relations, marketing, communications, or other

similar services in such a manner as to provide another person anonymity or deniability". However, this provision was removed from the bill as it was deemed unworkable.¹⁰⁵

Whether the PR industry should be regulated due to the potential harm perpetrated by immoral, incompetent and/or uninformed practitioners is a matter of debate. On the one hand, there is little risk to life from abusive PR practices as there is with medical malpractice, for example. Yet as the Bell Pottinger case study shows, public relations work can have a great impact on the political economy of a country, and society as a whole. Russia's invasion of Ukraine was backed, financially or politically, by various figures who for many years enjoyed access to top PR firms in London. Regarding climate change, former US Vice President Al Gore went so far as to argue that efforts to cast doubt on its causes in the 1990s with help from PR firms was akin to a "war crime."¹⁰⁶

In regard to financial harm, PR firms are neither involved in the exchange of high value goods or the provision of vital public services such as healthcare or banking. However, although the amounts of money involved are not comparable to the real estate or banking sectors, money laundering risks do exist for the PR industry, as discussed above.

The issue of regulation of the PR industry has been periodically raised by UK bodies. Back in 2012, a House of Lords committee published a report on investigative journalism following a variety of scandals, including instances where individuals' phones had been hacked by journalists. The report

concluded that: "to address the concerns that the Committee has heard about the potential adverse impact of the public relations industry on investigative journalism, we recommend that PR practitioners should abide by a stringent code of behaviour which could be derived from the existing CIPR code or something similar, and which might be overseen by a third party."¹⁰⁷ However, such proposals were met with short shrift from both the CIPR and PRCA. The then PRCA chief executive Francis Ingham called it: "posturing of the most empty sort. A report to file straight in the bin." The then CIPR chief executive Jane Wilson, who gave evidence to the committee, said she was "disappointed" that the report was dismissive of self-regulation.¹⁰⁸ The recommendation was not taken further by UK legislative bodies.

Yet if regulation was introduced in the UK, what would it entail? A regulated PR industry could see individuals undergo a period of training which would educate them in regard to ethical practice, highlighting client risks, including the type discussed in this report. A qualification of this kind would raise standards and lessen the number of 'rogue traders'. A regulatory body would also have the ability to set basic standards and practices, have powers to investigate breaches, issue fines and expel practitioners for serious breaches by removing their PR accreditation.

If regulation was introduced, one difficult aspect would be establishing what activities constitute PR work that would require the professional to be regulated. Activities such as contacting a journalist on behalf of a paid client, creating a website for them, or issuing

a press release are all part of public relations which would presumably require accreditation if regulation was introduced – clearly, policing these kinds of activities would neither be feasible or practical. Regulation also raises issues of transnationality: if the UK regulates the PR industry, a client could simply use a foreign company to evade the rules, necessitating further regulations about foreign companies needing to register a UK subsidiary to conduct work here.

If the PR industry is regulated, the question becomes by what body or organisation. In the United Kingdom, there are two main regulatory models. Certain sectors, for example, the gambling industry, are regulated by a public body.¹⁰⁹ Other sectors are largely self-regulated but overseen at some level by the Government.¹¹⁰ The UK's legal and accountancy sectors are currently overseen by 22 different professional body supervisors, with a state body, the Office for Professional Body Anti-Money Laundering Supervision (OPBAS), supervising these bodies in turn.

If the regulation is overseen by a membership body – possibly the CIPR or PRCA, or a combined, or new, unit – it could require that all practitioners, even sole traders, create a company through which to operate, with a requirement that the company must become a member of the body for accreditation (though again it would be hard to define what would qualify as PR work). Membership fees would be used to fund an oversight regime needed to ensure the regulation was effective. If regulation was conducted by the government, this would necessitate the creation of a new state body to oversee the process.

Either way, this would not be a simple process. For example, the largest professional body supervisor in the legal sector is made up of two independent bodies: the Law Society, which represents its members, and the Solicitors Regulation Authority (SRA), which investigates complaints made against solicitors and law firms. The SRA can fine individuals and firms if it finds evidence of professional misconduct. The need for two separate bodies is because there would be a conflict for one body to both represent the interests of its members and be responsible for disciplinary matters. If the SRA believes that the misconduct is so serious that it requires the solicitor to be prevented from practising in the future, it will refer cases to yet another body, the Solicitors Disciplinary Tribunal (SDT), which has additional powers of suspension and striking-off, and can issue unlimited fines.¹¹¹

This demonstrates how intensive the current regulatory framework is for just one sector. Yet, despite its existence, questions have been raised over its effectiveness. In 2022, UK NGO Spotlight on Corruption published research which said that there were significant levels of non-compliance with anti-money laundering rules in the legal sector, highlighting how the supervisors employ low levels of enforcement and lack transparency.¹¹² The fact that supervision for money laundering purposes in the legal sector appears to be lacking suggests a need for better regulation, not the removal of regulation, but the research points to the difficulty of creating an effective regulatory regime that prevents illegal activity and curbs unethical behaviour.¹¹³ Indeed, a respondent from civil society speaking at Chatham House said that overreliance

on a regulatory regime can give a false confidence in the system: as prosecution rarely happens, solutions should not be entirely reliant on “a policeman and court of law”.¹¹⁴

Given the above, one can see the significant regulatory burden that enforcing regulation on the PR industry would entail. Indeed, successive governments have shown little interest in adding the PR industry to the list of sectors that are regulated. This forms the dilemma at the heart of regulating any industry: for regulation to be effective it would have to be mandatory – firms would simply rescind membership of a regulatory body if the rules were too strict or contentious, or harmed profits. To enforce change, a rule-based system must be created which needs significant funding and effort to set up, maintain and enforce. Even when such a system is in place, without proper enforcement (and some oversight over enforcement) the regulation may have little effect on behaviour.

The alternative – relying largely on codes of conduct and self-policing – will have no impact on those firms who have little interest in playing by the rules and may even actively market themselves to a certain kind of client who wants to push the boundaries of ethical behaviour. However, what can be improved within the PR industry is the awareness of the risks associated with clients from corruption hotspots, and ways that those risks can be mitigated.

2. More comprehensive registration of lobbyists and lobbying activity, including adoption of Foreign Influence Registration Scheme (FIRS)

One specific area which is regulated to a certain extent relates to lobbyists.¹¹⁵ Current UK law prohibits consultant lobbying unless the person is entered in the register of consultant lobbyists. Key to this piece of legislation is the word ‘consultant’ – there is no requirement for individuals who are employees of PR firms or other companies to register. According to research conducted by Transparency International in 2015, this means that less than 4 percent of lobbyists are covered by the register.¹¹⁶

The UK thus lags behind countries such as the United States, Canada and Ireland which have made moves to provide greater transparency about attempts to influence government decisions. The US House of Representatives, for example, publishes a searchable database regarding lobbying disclosures and contributions.¹¹⁷ Members of the Senate are required to make similar disclosures under the Lobbying Disclosure Act.¹¹⁸

Transparency International suggests that both in-house and consultant lobbyists be included on the UK register, and that more accurate, accessible, intelligible and meaningful information should be published on lobbyists’ meetings. It also suggests that an independent body responsible for monitoring and ensuring compliance with the lobbying rules should be created.¹¹⁹ These proposals are endorsed by the CIPR which argues

that anyone who is seeking to influence public policy, including NGOs and not-for-profit organisations, should be included. The CIPR has its own lobbying register and encourages members to put the names of their clients on it.

The US has further legislation – the Foreign Agents Registration Act – regarding those engaged in domestic lobbying or advocacy for foreign governments, organisations, or persons, all of whom must register with the Department of Justice and disclose their relationship, activities, and related financial compensation. A person who “wilfully” violates the act may face up to five years in prison and up to a \$10,000 fine.¹²⁰ Australia adopted similar legislation in 2018, while Canada is considering introducing such a law.¹²¹

In 2022, the UK proposed legislation along similar lines – the Foreign Influence Registration Scheme (FIRS) – compelling those acting for a foreign power or entity to declare political influencing activity, criminalising those who do not. This scheme was achieved via an amendment to the National Security Bill.¹²² However, the bill has proved controversial, with some arguing that it would have limited effect on cracking down on malign covert foreign influence on the UK's political processes and could criminalise others for benign activity, such as foreign journalists and diplomats from the EU.¹²³ The focus has thus been narrowed to state-directed activity only and will not include commercial entities with government control or ownership.¹²⁴ The bill received royal assent in July 2023.¹²⁵ As with all new legislation, enforcement – to be managed by a unit established within the Home Office – will be key.

3. Transparency of client list

Another idea to improve PR industry standards is for PR firms to publish for whom they are working. Transparency would not only bring accountability to peers and wider society but would help the due diligence process: by making the information public, there would be a crowd sourcing effect of research which might flag previously unknown concerns. Such transparency could also help PR firms in their messaging, by showing that they were taking ethical issues seriously by not working with particular clients or in certain sectors.

However, some practitioners would clearly be against revealing for whom they are working, arguing that confidentiality is needed for ‘market sensitive’ work, and that PR companies should not be forced to reveal their clients when other sectors that pose potentially greater risks, such as the banking sector, are not.

CIPR chief executive Alastair McCapra commented: “We certainly encourage our members to publish details of their clients. Many of our members do this as a matter of course and it is one of the basics of transparency.”¹²⁶ McCapra added that the two main PR trade publications (PRWeek and PR Newswire) often publish articles highlighting recent contracts struck by major firms, and he could not think of many legitimate reasons, outside of national security, why a PR firm would be keen to hide for whom it was working.

How such transparency would work in practice is again where the difficulties begin. Firms could only be forced to

publish their clients within some kind of regulatory framework. If no such framework exists, as is the current situation, then the firms that are engaged in unethical practices would be those least likely to publish this information voluntarily. The very nature of 'reputation laundering' requires secrecy: if a PR firm arranges for a journalist or academic to write something positive about a disreputable character or corrupt regime, the key element is for the arrangement to be kept hidden to make it appear if the article or paper is unbiased. If a PR firm was on record as working for a particular individual, it would make it easier to draw a link between reputation laundering activities performed on behalf of a client and the firm itself.

Enforced transparency of clients would also likely result in kleptocrats hiding their use of PR firms by using offshore companies with complex structures of ownership. Thus, the public record would not give the name of the individual, but an anonymous offshore company. The regulation could mandate that the beneficial owners also be revealed, yet this would increase the reporting burden, and there would still likely be ways for the individual responsible to hide their involvement.¹²⁷

4. Adoption of 'know your customer' (KYC) due diligence checks

One area that could be improved by PR firms is the due diligence that is performed on their clients. As mentioned above, certain sectors in the UK are currently regulated for money laundering

purposes and are governed by a set of regulations, first introduced in 2002, with updated versions issued in 2007 and 2017. The regulations require professionals in these industries to perform due diligence on their clients.¹²⁸ This establishes amongst other details, if the client is a company, the names of the board of directors and the senior persons responsible for its operations. The due diligence will also examine various risk factors.¹²⁹

Mandatory due diligence by PR firms could only be enforced through a change in the law, which again would require a regulatory and supervision regime in order for it to be effective. Although it would be theoretically possible to introduce mandatory KYC checks (perhaps only for PR firms of a certain size and/or contracts over a certain amount) without the need for an overarching regulatory regime, there is a danger that without a way to detect or sanction non-compliance, such provisions could risk lending legitimacy to dubious work. The feasibility of any legal change would also require a legal review, and consultation with the sector as a whole.

In mid-2023, the UK Government launched a consultation on the reform of the current anti-money laundering supervisory regime, with one proposal being that the many professional supervisory bodies would be consolidated into either a single professional services supervisor or a single state-led anti-money laundering supervisor. One of the advantages identified with having a single public sector body is that new sectors brought within the scope of the money laundering regulations could be absorbed more easily. If either of these models is

adopted, it may be more feasible to regulate the PR industry.

It may also be possible to regulate some aspects of PR work by piggybacking on their collaboration with professionals in the regulated sector. As discussed above, PR firms often work with legal professionals as part of a wider team, especially when the client is involved in litigation or a corporate takeover. While litigation does not fall within the money laundering regulations per se, it illustrates that in principle it should be possible to carve out areas of work where PR firms support work done by the regulated sector, and thus could be brought within the scope of the regulations.¹³⁰

Without new legislation, all KYC checks would be voluntary but recommended as part of industry best practice guidelines.

Best practice KYC checks should include:

- Due diligence on the client, including checks on whether the client is a politically exposed person.

The CIPR's guide on 'knowing your client' suggests similar practices. It advises visiting prospective clients at their premises first and advises a thorough examination of the background of the company, asking questions such as where it is registered, how long it has been trading, and who its owners are. It also suggests looking at recent press articles and asking whether the client's ethical values match that of the firm.

In regulated sectors, if certain risks are present, the professional is required to perform 'enhanced due diligence' – more in-depth research on the client and the transaction. Other risks mandate

that enhanced due diligence be performed in regulated industries. One such circumstance is if the client (either an individual or the beneficial owner of a company) is a 'politically exposed person' (PEP) – an "individual who is entrusted with prominent public functions, other than as a middle-ranking or more junior official" or close family members and associates.¹³¹ This is because PEPs will often use family members and associates to conduct business on their behalf. It is important for a PR firm to ascertain whether their client is – or ever has been – a PEP, a close relative or known associate of a PEP, because of the risks explained in this report.

- Reporting of suspicions to a law enforcement agency

According to UK law, professionals in a regulated sector are required to report suspicions of money laundering to the UK authorities. Failure to do so is a criminal offence. What constitutes 'suspicion' is hard to define. The National Crime Agency (NCA) says that the word is not defined in legislation but cites a UK legal case which defined suspicion of money laundering "as a possibility, which is more than fanciful, that the other person was or had been engaged in, or benefited from criminal conduct and that the suspicion formed was of a settled nature. There does not need to be anything amounting to evidence of the suspected money laundering. The threshold for suspicion under POCA [Proceeds of Crime Act] is generally considered to be low."¹³²

The reporting of suspicion is done through Suspicious Activity Reports (SAR) which are sent to the NCA. Once a SAR has been filed, some transactions,

such as the selling of real estate, cannot continue without the NCA's consent. Intelligence garnered from SARs is crucial to the NCA in freezing illicit funds and building cases against criminals. However, the system has come under criticism in recent years with some experts saying that much of the information is of low value, and that the NCA is unable to properly assess the information it receives due to the high volume of SARs: over 900,000 were sent in 2021-2022, the vast majority from the banking sector.¹³³ The current system is being overhauled in response to this criticism.

However, though regulated sectors are required by law to make the submission of SARs when suspicions are raised, anyone can submit information to the NCA.¹³⁴ Indeed, in 2021-2022, around 35,500 (representing 3.94 per cent of the total SARs submitted) came from outside the regulated sectors.¹³⁵ Awareness of this is low amongst PR firms and the wider public. In an interview conducted for this report, a PR practitioner said that they were approached by a representative of a Russian citizen who had changed his name and acquired a new passport from a different country, which suggests a risk of sanctions evasion and money laundering, yet the professional commented: "I wouldn't have even thought to report it, and even if I had, I wouldn't know how to."¹³⁶ UK law enforcement should consider outreach to sectors such as the PR industry to indicate that the submission of such information is possible.

Unless regulation was introduced, this would be an entirely voluntary process with no threat of legal action if suspicions

were not reported. Also, given the high number of SARs already received by the NCA, it is important that the system is not flooded with yet more information, especially if it was vague and of little investigatory detail. On the other hand, such reporting may help the NCA paint a more detailed picture, as the kind of intelligence coming in from the PR industry would likely be of a different nature from what it receives from banks and other sectors.

Conclusions

The public relations industry presents a conundrum in the fight against money laundering and kleptocracy. PR agents can be key in the establishment of relationships that aid authoritarian influencing. These networks can become powerful systems in their own right, and can not only aid the flow of illicit funds from kleptocracies, but help such systems become entrenched through reputation laundering. These networks will often include individuals, such as solicitors and real estate agents, that are regulated for money laundering purposes. Yet currently PR professionals are not required to perform any due diligence on their clients and, unlike regulated professionals, do not require any special training or qualification to perform public relations work. Bringing PR agents under the regulated umbrella would require significant effort and cost with no guarantee it would be effective. Yet without regulation, PR agents are guided by nothing but their own ethics, and the establishment of professional body codes of conduct will have no impact on those who are not members of such bodies.

The recommendations contained in this report regarding best practice procedures, such as conducting due diligence on the client and reporting suspicions of money laundering, will be welcome to those professionals who are concerned about the issue of corruption, and the possible influence of authoritarian regimes. Those wanting to adopt such standards should do so, and not be afraid of supporting public campaigns that highlight these issues. However, it would be naïve to assume that all professionals are worried about these issues, and even those who have concerns find themselves in a competitive landscape where livelihoods depend

on bringing in new contracts. In these circumstances, even those looking to uphold certain ethical values may find themselves turning a blind eye to aspects of their clients' behaviour or past history.

More transparency is beneficial to any sector facing these risks; civil society and the media should continue to report on instances where authoritarian influencing has been aided, unwittingly or otherwise, by a public relations firm in order to further this discussion. Likewise, PR professionals and the membership bodies (PRCA and CIPR) should continue to speak out about abusive or harmful practices carried out by those in the field to highlight where the line should be drawn. This report thus hopefully represents a starting point for a wider discussion about the dangers of kleptocracy, a discussion which the public relations industry has shown it is willing to engage with.

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