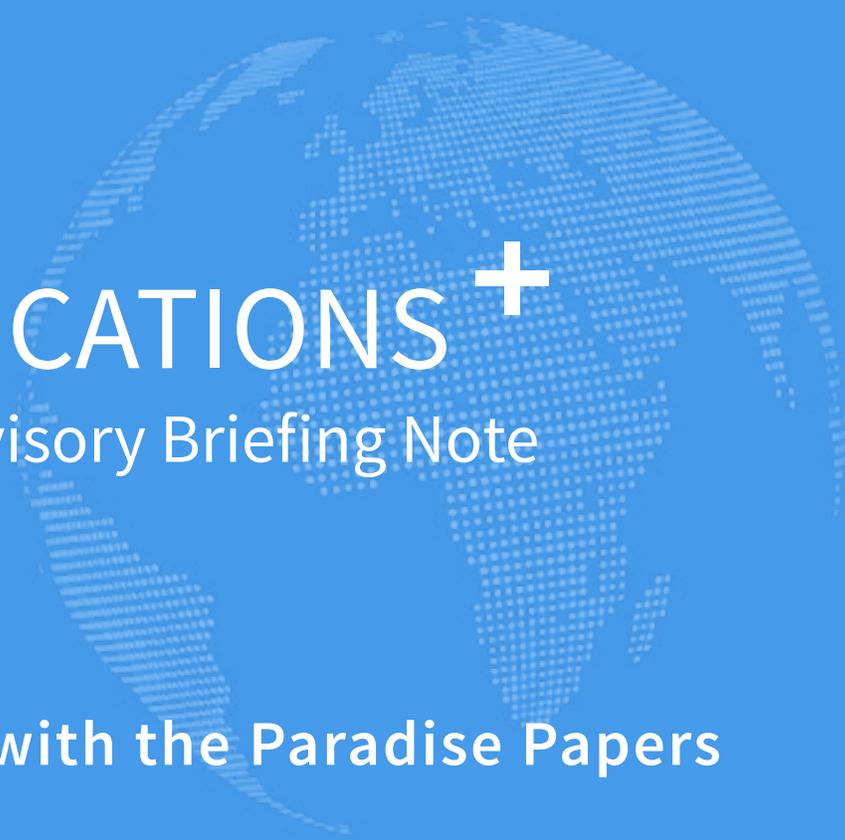


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# COMMUNICATIONS +

## Management Advisory Briefing Note

### History Rhymes with the Paradise Papers

November 2017

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**MONTIETH & COMPANY**



The release of the Panama Papers was the largest data-driven investigative journalism project in history: over 11.5 million documents scoured over by 120 publications worldwide. The disclosures that followed ensnared 140 politicians in over 50 countries, including 14 current and former world leaders. It also exposed corporate bribes, revealed the identities of drug kingpins, and linked Vladimir Putin's financial henchmen to \$2 billion in "dirty money."

On Sunday, this prior data disclosure was followed by the Paradise Papers. Led by *Süddeutsche Zeitung* and *ICIJ*, 380 journalists at 90 media organizations in 67 countries have spent months examining more than 13.4 million corporate records leaked from Appleby, an offshore law firm, and Eстера, a corporate services provider.

Like the Panama Papers, the Paradise Papers give a rare glimpse into the murky, secretive world of offshore tax havens and shell companies owned by the mega-rich. The records span across decades of business dealings for over 25,000 entities connected to people in 180 countries. More than 31,000 of Appleby's individual and corporate clients have links to the U.S., either by citizenship or by an address. The revelations from the Paradise Papers continue to unfold, but it has already ensnared major U.S. corporations, high-profile business owners, and more than 120 politicians from around the world in offshore business dealings.

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Those implicated in the documents include Wilbur Ross, the commerce secretary for the Trump Administration, whose business dealings include a stake in Navigator, a shipping company, which received \$68 million in revenue since 2014 from a Russian energy company co-owned by the son-in-law of Russian President Vladimir Putin. During his confirmation process, Mr. Ross was asked repeatedly about his business ties to Russia, although the topic of Navigator never came up.

Queen Elizabeth II, one of the most reputable royal figures in the world, has also become embroiled in the affair. In 2007, the Duchy of Lancaster, the queen's private estate, invested in a Cayman Islands fund. The fund's investments included millions of dollars in medical and consumer loan companies, as well as a rent-to-own furniture company that has come under heavy criticism for its "shark loan" style interest rates.

The records also show that two Russian institutions closely tied to Vladimir Putin made substantial investments in Facebook and Twitter through a business associate of Jared Kushner. Yuri Miller, who invested \$850,000 in Cadre, a real estate startup co-owned by Mr. Kushner, at one time owned 8 percent of Facebook and 5 percent of Twitter through his companies.

The Twitter investment was funded by VTB, a Russian state-controlled bank that has been previously implicated in nefarious deals, while the Facebook deal received backing from Gazprom Investholding. These investments were concealed behind layers of shell companies in offshore tax-havens.

Meanwhile, Apple has come under fire for holding the majority of its \$252 billion untaxed offshore cash in the island of Jersey, a well-known tax haven off the coast of the U.K. Worse for CEO Tim Cook, he was on the record saying before the

U.S. Congress that Apple doesn't "stash money" on a Caribbean island. He was correct, although it was stashed on a different island.

The full impact of the Paradise Papers remains to be seen, but if its predecessor provides a rubric to measure by, then it has the potential to further challenge and even curtail the offshore business dealings of elites. And given the increasing propensity for data hacks and leaks worldwide, it seems likely that the Paradise Papers will not be the last effort to bring offshore business dealings to light.



### **Once Again, Organizations Need to Focus on Public Trust**

In the wake of these revelations from the Paradise Papers, financial institutions and corporations worldwide need to assess the threat that their international dealings pose to their business. Getting swept up in exposés of offshore tax-havens not only attracts the attention of regulators, but undermines public trust in your brand.

Public trust in major institutions is at an all-time low: the undermining of facts by the far-right media and the current U.S. administration, in some cases with bare-faced lies, has resulted in a topsy-turvy world where experts are no longer to be believed. Conspiracy theories abound. Companies and their experts already have an uphill battle in the face of such skepticism. But how does a corporation or individual expect to rebuild public trust in its experts, if it transpires that it was offshoring its money to tax havens and engaging in hidden deals with questionable Russian characters?

Trust in an organization and its management and leadership is earned. It can be squandered in the blink of an eye. Far too often, moments like these prompt the response “we need a better crisis response plan.” That’s correct, but more often than not it is crucial for an organization to have a crisis prevention culture focused, amongst other things, on understanding how its actions - even the most secret ones, whether financial or in how men in power treat the women at the company - will be experienced by stakeholders. Unfortunately, as the Paradise Papers have revealed, not to mention the nearly daily disclosures about sexual harassment in the news, even in organizations so highly regarded as Apple can fail at culture. (And who knew that even *NPR* would all but fail its culture test on the sexual harassment disclosures there.) There will be other “Apples” in the coming months and years. The Paradise Papers affirm what is now the old dictum about the true power of the Internet: information wants to be free.



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Montieth began his career as a journalist and became a PR professional in 1995. He has worked in leadership positions at a variety of global agencies and founded Montieth & Company in 2007. Montieth has advised clients on a wide range of corporate initiatives and special situations. He has expertise counseling leadership and management teams across multiple sectors.

Montieth travels frequently throughout the world’s key money and media center markets in North America, the U.K. and Europe.

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We’re independently owned and operate through our Centers of Excellence in New York, London and Frankfurt. Our Executive Teams and Senior Advisors bring deep domain knowledge, extensive expertise, diverse perspectives and unique solutions to help clients seize opportunity and overcome their biggest challenges.