External Funding Acceptance Procedures

1. Introduction

1.1. These procedures set out the acceptance process for external funding, in accordance with the External Funding Acceptance Policy except for funding from sovereign states which is subject to the sovereign state risk policy and process.

1.2. External Funding Acceptance Procedures apply to all staff across departments, institutes, centres, divisions and all School units intending to bring in external funding and income must follow these procedures in relation to the acceptance of **philanthropic and research grant income.**

2. External Funding Acceptance Procedures

2.1. These procedures build on the previous procedures for the ethical review of grants and donations.

2.2. All external funding will be subject to appropriate ethical and reputational risk review.

2.3. This will **include**:
- proposed grants from grant giving bodies which are subject to competitive, peer-reviewed, bids for funds, except for grants from excepted bodies listed in 2.4.
- proposed donations from parents or close relatives of current students or applicants which do not support the School's unrestricted funds.

2.4. This will **exclude** funding from (i.e., will not be subject to the due diligence process and can be progressed to the signing of an appropriate agreement):
- UK government.
- UK or EU Universities[1].

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[1] Regulated by the Office for Students

- funding councils and related bodies within the UK, EU or the UN System[2].
- legacy gift intentions (proposed legacy donations).

2.5. All proposed funding which would result in receiving funds from a non-UK government or government body will be subject to the sovereign state risk policy and process. Further information is available from the Governance and Ethics Manager (Secretary's Division). Where individuals are based in a high-risk country the cases will be ethically reviewed in accordance with these procedures and with the outcome being reported to SMC to decide if any further management consideration is required.

2.6. Arrangements for any naming proposals must be considered in accordance with the School's Naming Policy.

2.7. All donations from LSE-related overseas charities are subject to these procedures.

3. Due Diligence

3.1. The first step in the process for accepting funding is to conduct the appropriate level of ethical checks or due diligence. For all funding under £25k ethical and reputational risk checks must be conducted by the Division responsible for accepting the funding. These checks should be based on discussions with the funder and internet searches. Further best practice guidance is available from the Secretary's Division and the Income Management and Services Team in PAGE.

3.2. For all proposed funding over £25K, due diligence must be conducted as soon as it is strongly believed that the funding discussions will progress. Conducting due diligence and seeking the relevant approval as early as possible in the process ensures that discussions are not progressed where unacceptable ethical or reputational risk concerns are identified.

3.3. Where it is known, the details of the purpose may be included in the background information of the due diligence report. This is provided as background information as the External Funding Ethical Review Board (EFERB) is responsible for approving the **source** of the funding and not the purpose. Where concerns regarding the purpose arise during ethical approval, they will be referred to SMC for consideration.

3.4. Due Diligence reports should follow the standard templates for consistency and will include the estimated income level and financial bands for approval.

3.5. Where due diligence identifies potential ethical or reputational risks, approval must be obtained prior to a proposal for funding being submitted to the potential funder. Approval must also be sought prior to negotiation with the donor where the funder approaches the School.

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[2] UN Funds, Programmes, Specialized Agencies and Related Organizations

3.6. There are two levels of due diligence checks:
- Initial due diligence (IDD)[3]:
- Full due diligence (FDD)[4].

3.7. If a funding proposal is received for a funder who has received approval in the previous three years, they will be subject to the appropriate level of due diligence and will be:

a) automatically re-approved where no new significant results of concern are found and the proposal does not exceed the previously approved funding range.

b) reviewed at appropriate level of review, as set out at clause 4, where new significant results are found.

c) referred to the Governance and Ethics Manager to consider whether the proposal should be re-submitted where:
- A new development posing a potential risk has been found in a previously approved significant result;
- There is deemed to have been a significant increase in public/media interest on a debate or topic related to the funder or the search results;
- There is any other uncertainty as to whether the report requires an additional review.

Significant results are defined as:
- Any new result relating to any of the 'Risk Criteria' set out in section 6.1 a) of the External Funding Acceptance Policy.
- Engagement with any 'caution' industry as set out in section 6.1 b) of the External Funding Acceptance Policy.

3.8. Where repeat funding is provided by a donor for the same purpose (e.g. general funds or continued scholarship support) renewed due diligence will only be conducted every three years.

3.9. Decisions on whether prior due diligence approval for one company will apply to another company within the same corporation (parent or subsidiary) will be determined, case by case, by the Governance and Ethics Manager.

3.10. Bequest notifications/bequests received will be subject to due diligence and review in accordance with the External Funding Acceptance Policy.
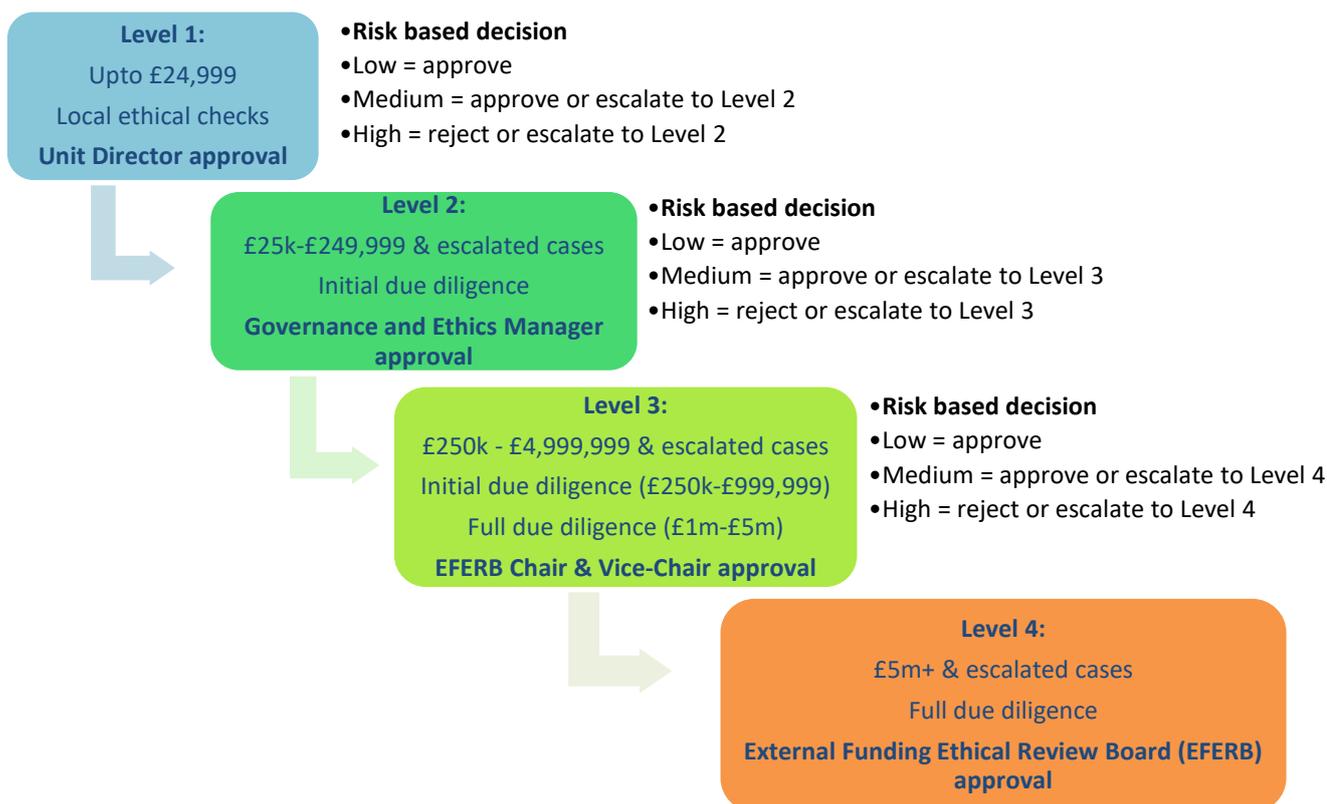
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[3] Initial due diligence provides an overview to identify any potential areas of ethical and reputational risk. Research is conducted to establish source of funding and a standardised string of negative terms is used on Factiva (or any equivalent due diligence product or news database) and on the Google search engine designed to highlight potential areas of concern. A minimum of 50 results from the previous 7 years are reviewed in total. The due diligence also provides a brief description of the funder's background and any previous funding to the School.

[4] Full due diligence provides a more in depth review of potential areas of ethical and reputational risk directly concerning the sources of the funding (i.e. secondary funders; 'funders behind the funder' and history) and relating indirectly to the sources of funding (i.e. family and affiliates). More extensive negative news searches are conducted than for initial due diligence in terms of the subjects researched, search parameters used (previous 14 years) and number and of results reviewed (minimum of 100 results in total). It also aims to provide a comprehensive overview of the funder's background, and their relationship with the School. Additional resources, such as sanctions databases, will also be used and standard searches modified to produce a more relevant set of results regarding potential ethical or reputational risks. Where current matters are discovered further research is conducted to confirm the status of the case.

4. External Funding Acceptance Approval levels

4.1. Approval must be obtained to continue negotiations and prior to acceptance of external funding. Approval levels are determined by either the proposed value of the funding or the ethical or reputational risk issues identified which may prompt an escalation to a higher approval level.

4.2. Importantly, the Directors of PAGE and Research and Innovation, the Governance and Ethics Manager, the Chair of the External Funding Ethical Review Board (EFERB) as well as the Board itself can escalate any funding proposal to the Ethics Management Board of the School Management Committee (SMC) for additional approval.

4.3. The Ethics Management Board (EMB) and SMC cannot approve a funding proposal that has not been approved through the External Funding approval process. However, SMC may decide not to proceed with funding which has been approved. SMC takes a different and potentially broader view on ethical and reputational risk and the wider interests of the School.

Level 1:

Upto £24,999

Local ethical checks

Unit Director approval

- **Risk based decision**
- Low = approve
- Medium = approve or escalate to Level 2
- High = reject or escalate to Level 2

Level 2:

£25k-£249,999 & escalated cases

Initial due diligence

Governance and Ethics Manager approval

- **Risk based decision**
- Low = approve
- Medium = approve or escalate to Level 3
- High = reject or escalate to Level 3

Level 3:

£250k - £4,999,999 & escalated cases

Initial due diligence (£250k-£999,999)

Full due diligence (£1m-£5m)

EFERB Chair & Vice-Chair approval

- **Risk based decision**
- Low = approve
- Medium = approve or escalate to Level 4
- High = reject or escalate to Level 4

Level 4:

£5m+ & escalated cases

Full due diligence

External Funding Ethical Review Board (EFERB) approval

4.4. Level one: Local ethical checks and approval

All funding up to £24,999 will be subject to ethical and reputational risk checks to be conducted by the individual responsible for negotiating the funding. The relevant unit Director will decide on whether the funding should be accepted. Proposed funding should

be escalated to level two where:

- potential ethical or reputational issues are uncovered through research or donor/funder contact;
- the source of funds is another individual or organisation and not the funder to be credited with the funding.

The name of the funder and value of all approved funding under £25k must be reported to the Governance and Ethics Manager within the Secretary's Division on a termly basis to allow for a full report of all funding received by the School and the approval process that has been followed.

Level 1		
Initial due diligence outcome	**Level of Risk**	**Unit Director**
No concerns	Low or no risk	• Approved to proceed
Some concerns	Medium risk	• Approved to proceed OR • Escalate to level two
Significant concerns	High risk	• Escalate to level two with initial or full due diligence review OR • Reject funding *(specify policy criteria applied)*

4.5. Level two: Governance and Ethics Manager Approval

All funding £25,000 to £249,999 will be subject to Initial Due Diligence conducted by the Division responsible for acceptance of the funding.

Approval of initial due diligence checks of proposed funders will be sought from the Governance and Ethics Manager. This post is a non-income generating role thereby limiting any potential conflict of interest in decision making. Decisions will normally be given via email/virtual forum within 3 working days.

Level 2		
Initial due diligence outcome	**Level of Risk**	**Governance and Ethics Manager Approval**
No concerns	Low or no risk	• Approved to proceed
Some concerns	Medium risk	• Approved to proceed OR • Escalate to level three
Significant concerns	High risk	• Escalate to level three and full due diligence review

4.6. Level three: Chair and Vice-Chair of External Funding Ethical Review Board

All funding between £250,000 and £999,999 will be subject to initial due diligence by the Division responsible for acceptance of the funding. All funding over £1m to £4,999,999 will be subject to full due diligence. Full due diligence should also be provided where cases have been escalated from levels one or two due to concerns being identified.

Proposed funders will be referred for approval by the Chair and Vice-Chair of the External Funding Ethical Review Board. Decisions will normally be given via email/virtual forum within 5 working days.

Level 3		
Diligence outcome	Level of Risk	Chair and Vice-Chair Approval *Chair and Vice-Chair of EFERB*
No concerns	Low or no risk	• Approved to proceed
Some concerns	Medium risk	• Approved to proceed <u>OR</u> • Escalate to EFERB review
Significant concerns	High risk	• Reject funding *(specify Policy criteria applied)* <u>OR</u> • Escalate to level four/EFERB

4.7. Level four: External Funding Ethical Review Board (EFERB)

The External Funding Ethical Review Board is responsible for deciding if funding is ethically acceptable for cases with medium or high level of risk referred to it and all proposed funding over £5,000,000. All proposals over £5m with be subject to full due diligence by the Division responsible for acceptance of the funding. The Terms of Reference of the External Funding Ethical Review Board sets out the remit and membership of the Group.

All cases referred to the Board will be considered at a convened meeting (either in person or virtual). Meetings are held termly and as required to provide a timely decision on external funding acceptance. Cases are reviewed in accordance with the principles and criteria set out in the External Funding Acceptance Policy.

The Standard EFERB agenda will cover:
  i.   Updates (provided by divisions responsible for external funding)
  ii.   Cases for decision: automatic referral over £5m.
  iii. Cases for decision: referred due to risk assessment.
  iv.   Subject briefings (e.g. sustainability, sector or area of business)

The outcome of cases for decision will be either:
  a)   approve the progression of the funding;
  b)   reject the progression of the funding;
  c)   request further information.

As set out in the EFERB Terms of Reference a termly report will be made to the Ethics Management Board of all funding ethical approvals including EFERB decisions.

4.8. Level five: Final approval review

Following ethical approval and further discussions regarding the proposed funding a final approval review is required prior to any gift agreement or contract being issued and agreed. These checks can be conducted as soon as the details of the purpose and terms of the funding are known and may include the need for additional approvals.

As the nature of these approvals will vary within divisions local approval check procedures must be established and agreed with the relevant SMC sponsor.

For PAGE the following are required:
  i.   Purpose is consistent with the School's strategy
  ii.   No significant conflicts of interest with the values of the School
  iii. No restrictions or limits on academic freedom
  iv.   Financial approval

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Legal approval for non-standard agreements
Stewardship (appropriate arrangements in gift agreement)
Naming approval (as per naming policy)
Communications strategy (where required)

If any of the details of the proposal or contract developed following ethical approval gives rise to ethical concerns the case may be referred back to the External Funding Ethical Review Board.

5. Management and reporting

5.1. PAGE will record all due diligence and related decisions on the database that PAGE manages on behalf of LSE.

5.2. Research and Innovation division will record all due diligence and related decisions.

5.3. A termly report of all levels of external funding acceptance decisions will be made to the Ethics Management Board to include:
- All funding considered at Level one below £25,000 approved within Divisions
- All funding considered at Level two and the decisions
- All funding considered at Level three and the decisions
- All funding considered at Level four and the decisions

Annex A: External Funding Acceptance Procedures

Table 1: Responsibilities in the external funding acceptance process

	External Funding Acceptance related responsibilities
Income generating divisions • PAGE • Research and Innovation (for Research Grants)	Each respective area must: • conduct their own ethical checks up to £25k in line with School requirements • provide unit Director level approval for all funding up to £25k based on ethical checks • Conduct initial and full due diligence as per School policy • refer cases for the appropriate approval where proposals are over specific financial thresholds or where ethical concerns are identified in the ethical checks • Refer all sovereign state associations to SMC (via the Governance and Ethics Manager) • Where cases are referred to the full EFERB meeting a representative of the division is invited to present the case prior to a closed discussion and decision of the Board • Ensure all relevant approvals are sought prior to the signing of a gift agreement or contract
Philanthropy and Global Engagement (PAGE)	• Provides training and support to other income generating divisions on due diligence with the Secretary's Division • Uses expertise to develop best practice model • Advises on due diligence resources • Conducts due diligence for PAGE • Coordinates signing of gift agreements and ensuring all correct approvals have been sought

Secretary's Division	• The development and Implementation of the:
	  ○ External Funding Acceptance Policy
	  ○ External Funding Acceptance Procedures
	  ○ Sovereign State Risk Policy and Procedures
	• Manages and provides administrative support for the External Funding Ethical Review Board
	• Arranges training and support to other income generating divisions on due diligence with PAGE.
	• Provides Governance and Ethics Manager approvals
	• Advises and supports seeking approval for sovereign state cases including country research and granting approval for low risk sovereign state risk cases
	• Reporting on External Funding Acceptance
	• Coordinates External Funding Network (to replace the Ethical Due Diligence Network) for those involved in external funding across the School

	External Funding Acceptance related responsibilities
School Secretary	• Chair of EFERB and EMB • Secretary to EC • Signs all gift agreements

Ethics Management Board/ School Management Committee (SMC)	• Approves School policy and procedures on external funding acceptance.
	• SMC receives reports on purpose where referred
	• Considers cases escalated from the EFERB
	• Receives reports on the decisions of the EFERB (following each meeting, termly and annually).
	• **Sovereign State Risk approval**
	  o Medium Risk: School Secretary and one other SMC member
	  o High Risk: SMC meeting

External Funding Ethical Review Board (EFERB)	**Ethical approval for the source of the income**. Based on thresholds and dependent on ethical concerns identified in due diligence: £250,000 to £5m EFERB Chair and Vice-Chair £5m + Full EFERB meeting
Finance Division	Reviews and provides financial approval for donations.
Legal Team	Reviews and provides approval for non-standard and complex Gift Agreements.
Ethics Committee (EC)	The Ethics Committee receives an annual report of the EFERB. The EC and/or its chair may also be consulted by the Ethics Management Board of SMC on the ethics of External Funding cases.
Communications Division	Director of External Communications ex-officio advisory member of EFERB and advises on all cases considered by the Board. Development of communications plans where recommended to EFERB.

Review schedule

Review interval	Next review due by	Next review start
3 year	October 2024	April 2024

Version history

Version	Date	Approved by	Notes
Procedures for the Ethical Review of Grants and Donations			
1.0	June 2012	Council	
2.0	November 2016	Ethics Policy Committee	
3.0	January 2019	SMC	Noted by Ethics Committee – Feb 2019
External Funding Acceptance Procedures			
1.0	November 2021	SMC	
1.1	July 2023	School Secretary	Changes to job titles and links updated
1.2	November 2023	SMC	

Links

Reference
The Ethics Code
Financial Regulations
Policy Against Bribery and Fraud
Scheme of Delegated Legal Authority
External Funding Acceptance Policy
Acquisition and Management of Artworks Policy
Advisory Board Guidance
Naming and Recognition Policy
Pricing and Costing procedure – Contact Income Management Services, PAGE
Conflict of Interest Policy
Sovereign State Risk Policy and Process – Contact the Governance and Ethics Manager for further Information

Contacts

Position	Name	Email	Notes
Governance and Ethics Manager		ethics@lse.ac.uk	Author

Communications and Training

Will this document be publicised through Internal	Yes

Will training needs arise from this policy	Yes
If Yes, please give details: PAGE staff training on responsibilities in relation to the Procedures. Wide School awareness information and training also to be developed.	