

# Ethical Acceptance of External Funding Policy

## 1. Purpose

- 1.1. This policy sets out the School's coordinated approach to assessing ethical and reputational risk in relation to the acceptance of external funding. All staff across departments, institutes, centres, divisions and other School units seeking external philanthropic and grant funding and income, must adhere to this policy to ensure the appropriate assessment of ethical and reputational risk.
- 1.2. This policy ensures that all partners and donors are treated equitably, providing assurance to both the School community and external parties.

## 2. Context

- 2.1. The London School of Economics and Political Science (LSE) holds the dual status of a company limited by guarantee under the Companies Act 1985 and an exempt charity under Schedule 3 of the Charities Act 2011. Members of the LSE Council, the governing body of the university, are charity trustees. Trustees of a charity are generally expected to accept donations that align with the charity's objectives. However, they have the discretion to consider additional factors to ensure that accepting a donation serves the charity's best interests.
- 2.2. LSE actively welcomes external funding to enhance its financial resources in support of the goals and aspirations of our strategy. However, all external funding must adhere to ethical standards and should not pose any unacceptable reputational risks to the School.
- 2.3. The School's Ethics Code provides a set of principles that the entire LSE community is expected to uphold and consider when making decisions at all levels of the School. The Code encompasses legal and ethical requirements which are reflected in the funding acceptance principles set out in section 4. All external funding decisions must align with the Ethics Code and the accompanying Ethics Code Guidance.

### 3. Definitions and scope

- 3.1. This policy applies to all external philanthropic donations (money, goods or services) grant funding and income, except where such funding falls within the excluded sources specified in section 2 of the accompanying Ethical Acceptance of External Funding Procedures. For all such external income either the Philanthropy and Global Engagement (PAGE) or Research and Innovation (R&I) Division will be responsible for guiding it through the Ethical Acceptance of External Funding process. (Where this document refers to 'Division' it is referring to PAGE and R&I unless otherwise specified.)
- 3.2. No individual, centre, department or division may accept funding from an individual, foundation, company, friends group or any other organisation without first conducting the required ethical and reputational risk assessment and obtaining the appropriate level of approval. School units should always seek advice from Philanthropy and Global Engagement or Research and Innovation when pursuing external funding.

### 4. Ethical Acceptance of External Funding Principles

- 4.1. All individuals involved in evaluating funding proposals under this policy must give due regard to, and consistently apply, the following principles when making their assessments. These principles should guide decision-making at every stage of the evaluation process to ensure that all funding accepted aligns with LSE's values, objectives, and legal obligations.
- 4.2. **Principle 1:** LSE will not accept external funding in circumstances where the funding is not aligned with its Ethics Code. This includes, but is not limited to circumstances where:
  - The source is suspected or found to have been obtained illegally or unethically;
  - The source is closely associated with illegal or unethical activities;
  - The funder's reputation has been compromised due to past actions, and either the behaviour that caused the damage has not demonstrably ceased or the reputational harm has not diminished to a significant extent.
- 4.3. **Principle 2:** LSE will not accept external funding that **compromises its independence**. This includes, but is not limited to, funding offers that seek to:
  - Influence the application of the School's admissions selection criteria.
  - Affect the academic record of any current or future students or influence the outcome of any dispute between a student and the School.
  - Confer any academic or non-academic privilege, benefit, or undue advantage on any current or future student.

- Impose restrictions on LSE's academic freedom or its ability to operate independently.
- Create an unacceptable conflict of interest.

4.4. **Principle 3:** LSE will not accept external funding that **conflicts with its interests**.

This includes, but is not limited to, funding that:

- Contradicts or fails to advance LSE's mission and values.
- Is excessively difficult or expensive to administer or creates an unacceptable liability or future financial burdens.
- Does not comply with the requirements of the Equalities Act 2010.
- Violates this policy or any other School policies or regulations approved by LSE's School Management Committee.

4.5. The School encourages and advises that donations from **parents and known close relatives of students<sup>1</sup> or current applicants** support unrestricted, broad purpose funds such as campus redevelopment, scholarships, or hardship support. LSE will not accept philanthropic donations from **registered students or their known close relatives** under the following circumstances:

- If the donation directly benefits the Department, an affiliated Department, or a Unit in which the student is registered.
- If the proposed naming recognition is linked to the student's department or School unit, while the student is registered.
- If accepting the donation would be detrimental to the student or pose a risk to the School's reputation.

4.6. The School's Philanthropic and Honorific Naming Policy sets out the approval process for naming.

4.7. All contact with potential and existing donors will be deferred to post offer stage where:

- Any donor offers a donation in relation to an application.
- The donor is known to be an applicant or close relative of an applicant.

4.8. There may be occasions where an existing donor, who is fulfilling a prior gift commitment, has a relative apply to study at the School. Each case will be reviewed by PAGE with the Governance and Ethics Manager (Secretary's Division) to determine the extent of the association with the existing commitment and whether any further action is required to protect both the donor and the School.

4.9. Funding will only be solicited if the identity of the funder is known. Funding will not be accepted if an intermediary negotiates a benefaction on behalf of a funder who requires complete anonymity. While the School may agree not to publicly

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<sup>1</sup> Known close relatives of registered students includes parents, spouses, legal partners, children, grandparents, stepparents and former or current legal guardians.

acknowledge the name of a funder, the identity must be disclosed to the School to facilitate the necessary due diligence.

- 4.10. Where a donor wishes to remain anonymous, such anonymity will be respected so far as is legally and practically possible. For unsolicited donations where the donor's identity is unknown, the School will take reasonable and proportionate steps to identify the donor, assess potential reputational risks, and comply with Charity Commission guidelines on anonymous donations. If the donor cannot be identified, funding up to £1,000 may be accepted at the unit's discretion, while donations of £1,001 or more must be returned to the source.
- 4.11. Under the Freedom of Information Act 2000, the School has a statutory obligation to provide information that it holds on request. Each request is carefully reviewed to ensure compliance while protecting personal information and the School's commercial interests.
- 4.12. External funding is accepted and held by LSE in accordance with its Financial Regulations, which is overseen by the Audit Committee of Council.
- 4.13. Prior to accepting any external funding, LSE will assess its compatibility with the institution's purposes and goals as outlined in its Articles of Association, as well as all relevant legislation policies, and regulations. A list of key related policies is provided at the end of this document.
- 4.14. To safeguard academic freedom and independence, the School will always have the final say on all academic appointments. Funders may serve on advisory boards, or be consulted on appointments, provided they do so in accordance with the relevant School guidance.
- 4.15. Where ethical issues are identified following the acceptance of funding relating to a current or past funder to the School, these should be reviewed by PAGE or R&I, whichever is the responsible unit, to determine if details need to be presented to the School Management Committee for further consideration.

## **5. Ethical Acceptance of External Funding Procedures**

- 5.1. The ethical acceptance of external funding must adhere to the Ethical Acceptance of External Funding Procedures, ensuring a thorough assessment of ethical and reputational risks. These risk assessments must be reviewed against the criteria outlined in sections 6 and 7 and decisions made in line with the relevant approval thresholds specified in the procedure. Ethical approval must be granted prior to entering into an agreement to accept funding.

## 6. Risk criteria to be considered in ethical and reputational risk assessment

6.1. The following risk criteria will be considered as part of the ethical and reputational risk assessments within the scope of this policy. The level of risk associated with proposed funding will be determined, in part, by the research findings on the following issues or industries:

**A Serious legal, ethical, or reputational issues are found in relation to the sources of funding (funder/s), including but not limited to proven cases or allegations of:**

- 1) Illegal conduct e.g. UK Bribery Act 2010, Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007.
- 2) Other financial misconduct e.g. tax evasion, insider trading, corruption
- 3) Human rights abuse e.g. child labour, human trafficking, poor working conditions
- 4) Sexual misconduct
- 5) Terrorism or political engagement with controversial, anti-democratic, corrupt or human rights abusing regimes or sanctioned regimes
- 6) Sustainability impact and environmental damage e.g. deforestation, toxic waste

**B Caution Industries**

The ethical acceptance of external funding is not bound by the School's Environment, Social and Governance (ESG) Policy. However, if a potential funder is linked to a 'caution industry', this connection will be assessed alongside the benefits and risks of accepting the funding. Caution industries are those deemed to pose an elevated ethical and/or reputational risk to the School.

Potential funders associated with a caution industry may still be approved under the policy. However, the decision-making process will take into account the nature, extent, and significance of their relationship to the industry, as well as any potential risks it may pose to the School. The following industries are classified as caution industries:

- 1) Arms dealing and manufacture, in particular controversial weapons/indiscriminate armaments;
- 2) Tobacco manufacture;
- 3) Fossil fuels, in particular thermal coal mining or oil/tar sands extraction;
- 4) Animal welfare/testing;
- 5) Pornography;
- 6) Gambling

## **General Risk Considerations**

- 6.2. The School will assess both proven misconduct and ongoing allegations, including situations where investigations are ongoing. In all cases, a risk-based and proportionate approach will be taken, considering the credibility, source, timing and severity of the issues, along with any remedial actions undertaken by the funder. Decisions will weigh potential ethical and reputational risks against the anticipated benefits of the funding, with a priority placed on safeguarding the School's integrity and reputation.

## Review schedule

Review interval	Next review due by	Next review start
3 years	January 2028	August 2028

## Version history

Version	Date	Approved by	Notes
Donations Acceptance Policy			
1.0	2014	Council	First Draft
2.0	June 2016	Council	Final Policy
3.0	November 2016	Council	Amendment
4.0	October 2018	SMC	Amendment
4.0	February 2019	Ethics Committee	Amendment
External Funding Acceptance Policy			
1.0	November 2021	EMB/SMC	Final Policy
1.1	July 2023	School Secretary	Updates to links and contacts
Ethical Acceptance of External Funding Policy			
1.0	September 2025	SMC	Significant update of policy and name change

## Links

Reference
<a href="#">Acquisition and Management of Artworks Policy</a>
<a href="#">The Ethics Code</a>
<a href="#">Financial Regulations</a>
<a href="#">Ethical Acceptance of <u>External Funding Procedures</u></a>
<a href="#">External Funding Ethical Review Board</a>
<a href="#">Policy Against Bribery and Fraud</a>
<a href="#">Scheme of Delegated Legal Authority</a>
<a href="#">Advisory Board Guidance</a>
<a href="#">Philanthropic and Honorific Naming Policy</a>

## Contacts

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## Communications and Training

Will this document be publicised through Internal Communications?	Yes
Will training needs arise from this policy	Yes