

# Ethical Acceptance of External Funding Procedures

## 1. INTRODUCTION

- 1.1 These procedures outline the ethical acceptance process for external funding, in accordance with the Ethical Acceptance of External Funding Acceptance Policy.
- 1.2 These procedures apply 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 these 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.)

## 2. EXTERNAL FUNDING ACCEPTANCE PROCEDURES

- 2.1 All external funding will be subject to the appropriate level of ethical and reputational risk assessment unless it comes from one of the excluded sources listed below:
  - UK government bodies and local authorities
  - UK public Universities<sup>1</sup>
  - Public Universities based in the EU, EEA, USA, Canada, Australia or New Zealand
  - Non-Public Universities in the US classified as 'R1- very high research activity' within the Carnegie classification of institutions of higher education.
  - World Bank
  - International Monetary Fund
  - Regional Development Banks
  - Organisation for Economic Co-operation and Development

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<sup>1</sup> Regulated by the Office for Students

- Funding councils and related bodies within the UK, EU or the UN System
- Legacy gift intentions (proposed legacy donations).

- 2.2. While funding from the above sources is not subject to these procedures, all other standard approval processes that apply must be followed.
- 2.3. All proposed funding which would result in receiving funds from a non-UK government or government body (excluding those stated at 2.1) will be subject to the Sovereign State Risk Process. This is a separate approval route which is detailed in section 7.
- 2.4. Arrangements for any naming proposals must be considered in accordance with the School's Philanthropic and Honorific Naming Policy.
- 2.5. All donations from LSE-related overseas charities are subject to these procedures.
- 2.6. The Division responsible for the funding must ensure that appropriate due diligence is undertaken to determine whether any funding accepted by the School requires registration under the Foreign Influence Registration Scheme. For further information and guidance, please contact [ethics@lse.co.uk](mailto:ethics@lse.co.uk).

### **3. ETHICAL AND REPUTATIONAL RISK ASSESSMENT OF EXTERNAL FUNDING**

- 3.1. All proposed external funding must undergo the ethical and reputational risk assessment processes outlined in this procedure to identify and evaluate any potential risks associated with its acceptance.
- 3.2. Unless the funding is from a source excluded under section 2.1, the Division responsible for the funding must carry out the appropriate level of ethical and reputational risk assessment and complete the necessary approval processes before formally entering into an agreement to accept the funding.
- 3.3. Ethical and reputational risk assessments must be conducted as soon as it is reasonably expected that funding discussions will advance. Conducting assessments and obtaining the necessary approvals early in the process ensures that discussions do not advance where unacceptable ethical or reputational risks exist.
- 3.4. Additional best practice guidance is available from the Secretary's Division and the Income Proposition Development and Income Management Team in PAGE.

- 3.5. Ethical and reputational risk assessments must include standardised information to ensure consistency. Assessments will also specify the financial band and risk rating associated with the proposed funding.
- 3.6. There are three categories of ethical and reputational assessments:
  - Standard ethical and reputational checks (SERC)
  - Initial due diligence (IDD)
  - Full due diligence (FDD)

## 4. EXTERNAL FUNDING ACCEPTANCE APPROVAL LEVELS

- 4.1. The level of ethical and reputational risk assessment required for all proposed funding is initially determined by its value. However, risks identified during standard ethical and reputational risk checks or due diligence may necessitate escalation to a higher approval level.
- 4.2. Any risks identified through donor or funder contact must be documented and incorporated into the ethical and reputational risk assessment at all levels.
- 4.3. If any details of the proposal or agreement, developed after ethical approval, raise new ethical or reputational concerns, the case must be referred back to the appropriate decision-maker at the relevant approval level for review.
- 4.4. SMC reserves the right not to proceed with funding which has been approved by EFERB.

## 5. RISK LEVEL CLASSIFICATION

- 5.1. Following ethical and reputational risk assessment, all proposals will be assigned a risk rating based on the risk levels defined below. The risk rating serves as a guide for the decision-maker, who may either accept the assigned risk level and proceed accordingly, as detailed in the tables below, or determine that the risk level requires adjustment. If a change to the risk level is made, the decision-maker must provide a rationale for the updated risk level and take appropriate action.
- 5.2. The risk levels are defined as follows:

**No risks Identified:** No results of concern found.

**Low risk:** Minor concerns identified – fewer than 5 concerns found related to secondary subject(s).

**Medium risk:** Moderate concerns identified - concerns found relating to the primary subject(s) or more than 5 concerns found in total.

**High risk:** Significant concerns identified – Any result related to the 'Risk Criteria' outlined in 6.1 a) of the Ethical Acceptance of External Funding Policy and/or engagement with any 'caution' industry listed in section 6.1 b) of the Ethical Acceptance of External Funding Policy.

## 6. APPROVAL THRESHOLDS

### 6.1. Level One: Ethical and reputational risk assessment and decision making

**Financial threshold: £0.01-£99,999**

*Please refer to paragraphs 5.1-5.2 for detailed information on risk ratings.*

*Please refer to paragraph 2.1 for information on funding sources that are excluded from this procedure.*

- 6.2. All proposed external funding between £0.01 and £99,999 is subject to ethical and reputational risk assessment. These risk assessments will be carried out by the individual responsible for negotiating the funding.
- 6.3. If no results of concern, or risks categorised as low, are identified during the risk assessment process, the decision to accept the funding rests with the relevant Division Director, who may delegate this responsibility at their discretion. Any delegations must be properly documented.
- 6.4. If medium or high risks are identified during the risk assessment process, the proposed funding must either be escalated to the next approval threshold or rejected. In cases where funding is escalated, the Division responsible for the funding must carry out initial due diligence. If the funding is rejected, the policy criteria used to make the decision must be clearly documented.

<b>Level 1</b>		
<b>Ethical and reputational risk assessment</b>	<b>Level of Risk</b>	<b>Unit Director Decision</b>
No concerns identified	No risks found	<ul style="list-style-type: none"><li>• Approved to proceed</li></ul>
Minor concerns identified	Low risk	<ul style="list-style-type: none"><li>• Approved to proceed</li></ul>
Moderate concerns identified	Medium risk	<ul style="list-style-type: none"><li>• Escalate to level two with initial due diligence report <u>OR</u></li><li>• Reject funding (<i>specify policy criteria applied</i>)</li></ul>
Significant concerns identified	High risk	<ul style="list-style-type: none"><li>• Escalate to level two with initial due diligence report <u>OR</u></li><li>• Reject funding (<i>specify policy criteria applied</i>)</li></ul>

## 6.5. **Level Two: Division Director/Governance and Ethics Manager**

**Approval Threshold: £100,000 - £999,999 and cases escalated from level 1**

*Please refer to paragraphs 5.1-5.2 for detailed information on risk ratings.*

*Please refer to paragraph 2.1 for information on funding sources that are excluded from this procedure.*

- 6.6. All proposed funding between £100,000 and £999,999 will be subject to Initial Due Diligence, conducted by the Division responsible for acceptance of the funding.
- 6.7. If no risks are identified through the initial due diligence process, the funding may be approved within the responsible Division. However, if risks are identified, approval must be sought from the Governance and Ethics Manager.
- 6.8. Depending on the risks identified during initial due diligence process, the Governance and Ethics Manager may decide to, or be required to, escalate cases to level three of the process for further decision. Decisions from the Governance and Ethics Manager will be provided via email, typically within 6 working days.
- 6.9. When cases are escalated by the Governance and Ethics Manager, the Division responsible for the funding is required to complete the full due diligence process and submit the report for decision under level 3 of the approval process.

<b>Level 2</b>		
<b>Initial Due Diligence Outcome</b>	<b>Level of Risk</b>	<b>Unit Director/Governance and Ethics Manager Approval</b>
No concerns identified	no risks found	<ul style="list-style-type: none"><li>• Approved to proceed by relevant Division's Unit Director</li></ul>
Some concerns identified	Low risk	<ul style="list-style-type: none"><li>• Approved to proceed by Governance and Ethics Manager <u>OR</u></li><li>• Escalate to level three and full due diligence report</li></ul>
Moderate concerns identified	Medium Risk	<ul style="list-style-type: none"><li>• Approved to proceed by Governance and Ethics Manager <u>OR</u></li><li>• Escalate to level three and full due diligence report</li></ul>
Significant concerns identified	High risk	<ul style="list-style-type: none"><li>• Escalate to level three and full due diligence report</li></ul>

## 6.10. **Level three: Designated Members of the External Funding Ethical Review Board**

**Approval Threshold: £1,000,000-£4,999,999 and cases escalated from level 2**

*Please refer to paragraphs 5.1-5.2 for detailed information on risk ratings.*

*Please refer to paragraph 2.1 for information on funding sources that are excluded from this procedure.*

6.11. All proposed funding between £1m and £4,999,999 will be subject to full due diligence, conducted by the Division responsible for the acceptance of the funding. Full due diligence must also be provided where cases have been escalated from level two due to the identification of concerns.

6.12. At this level, decisions on proposed funding will be taken by two designated members of the External Funding Ethical Review Board. Depending on the risks identified during the due diligence process, the designated EFERB members may decide to, or be required to, escalate cases to level four of the process for further decision. Decisions from the designated members will be provided via email, typically within 6 working days.

6.13. When cases are escalated by the designated EFERB members, the Division responsible for the funding is required to submit the full due diligence report for decision under level 4 of the approval process.

<b>Level 3</b>		
<b>Full Due Diligence Outcome</b>	<b>Level of Risk</b>	<b>Designated members of EFERB Approval</b>
No concerns identified	No risks found	<ul style="list-style-type: none"> <li>Approved to proceed</li> </ul>
Some concerns identified	Low risk	<ul style="list-style-type: none"> <li>Approved to proceed</li> </ul>
Moderate concerns identified	Medium Risk	<ul style="list-style-type: none"> <li>Approved to proceed <u>OR</u></li> <li>Escalate to level four</li> </ul>
Significant concerns identified	High risk	<ul style="list-style-type: none"> <li>Reject funding (<i>specify Policy criteria applied</i>) <u>OR</u></li> <li>Escalate to level four</li> </ul>

#### **Level Four: External Funding Ethical Review Board (EFERB)**

##### **Approval Threshold: £5,000,000 and above and cases escalated from level 3**

*Please refer to paragraphs 5.1-5.2 for detailed information on risk ratings.*

*Please refer to paragraph 2.1 for information on funding sources that are excluded from this procedure.*

6.14. All proposed funding of £5,000,000 and above will be subject to full due diligence, conducted by the Division responsible for the acceptance of the funding. Full due diligence must also be provided where cases have been escalated from level three due to the identification of concerns.

- 6.15. At this level, decisions on proposed funding are taken by the External Funding Ethical Review Board. Information on the Boards remit and membership can be found in its Terms of Reference.
- 6.16. All cases referred to the Board will be considered at a convened meeting (either in person or virtual). In exceptional circumstances, additional meetings or decisions via correspondence may be arranged to facilitate business. Meetings are held termly and as required to provide timely decisions on the ethical acceptance of external funding. Cases are reviewed in accordance with the principles and criteria set out in the Ethical Acceptance of External Funding Policy.
- 6.17. The Standard EFERB agenda will cover:
  - i. Cases for decision: automatic referral over £5m.
  - ii. Cases for decision: referred due to risk assessment.
  - iii. Cases for decision: Sovereign State Risk (see section 7).
- 6.18. Where it is deemed to be beneficial, EFERB agendas may also include subject briefings addressing topics that promote knowledge in areas that support decision making.
- 6.19. The outcome of cases for decision will be either:
  - a) Approve the progression of the funding;
  - b) Reject the progression of the funding;
  - c) Defer the progression of the funding and request further information.
  - d) Refer the proposed funding to SMC if a majority decision cannot be reached by EFERB.

## 7. ADDITIONAL APPROVALS ARE REQUIRED

- 7.1. Following ethical approval, additional approvals may be required prior to any agreement or contract being issued. These may include budget and costing approvals from the Finance Division, legal approval, and sign-off from the relevant Head of Department. As the nature of these approvals will vary within units, local approval procedures must be established and agreed with the relevant SMC sponsor.

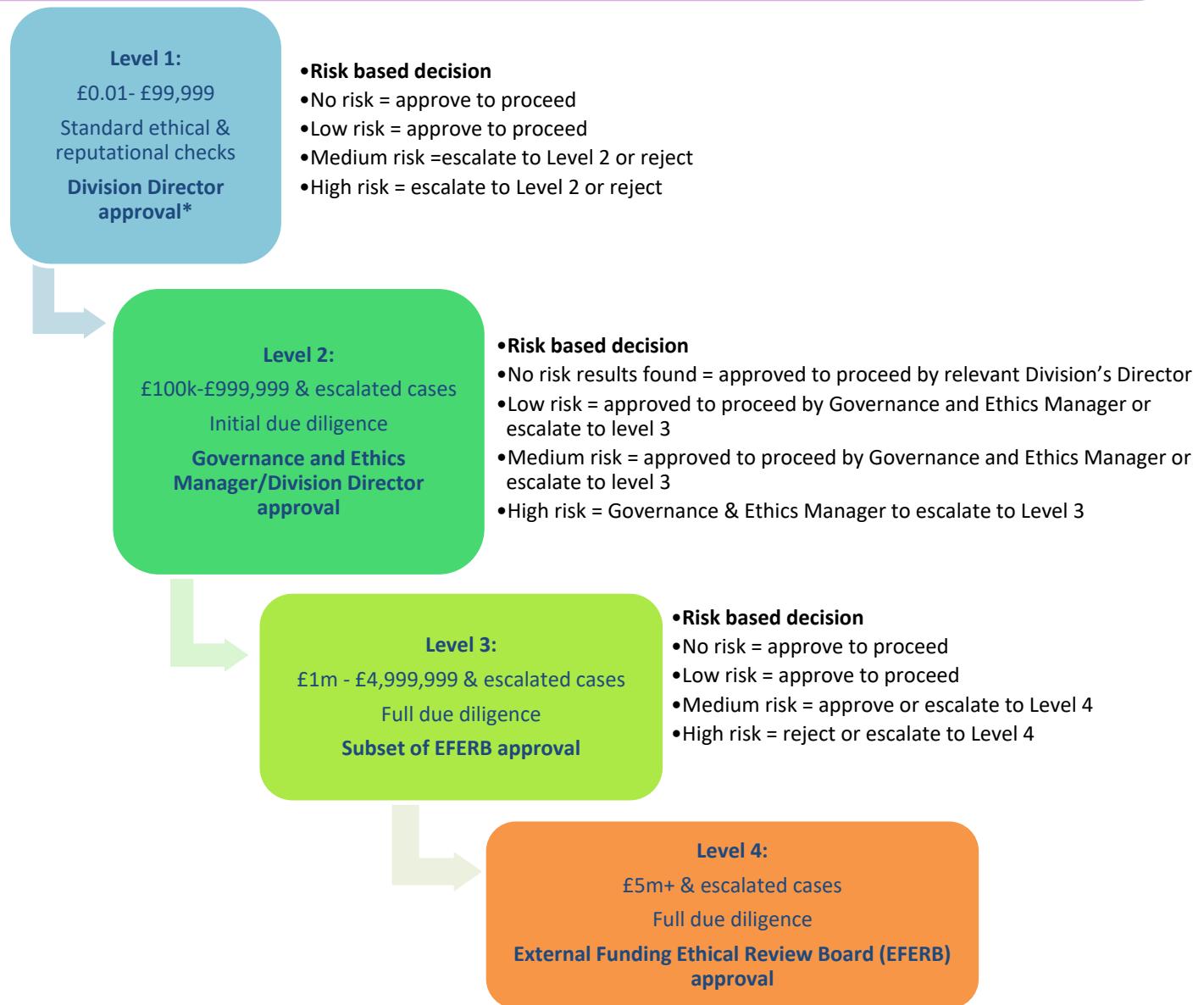
## Risk Levels and Approval Procedures Diagram

**No risks Identified:** No results of concern found.

**Low risk:** Minor concerns identified – fewer than 5 concerns related to secondary subject(s).

**Medium risk:** Moderate concerns identified - concerns found relating to the primary subject(s) or more than 5 concerns found in total.

**High risk:** Significant concerns identified – Any result related to the 'Risk Criteria' outlined in 6.1 a) of the External Funding Acceptance Policy and/or engagement with any 'caution' industry listed in section 6.1 b) of the External Funding Acceptance Policy.



\* This responsibility can be delegated as the Director sees fit. Delegations must be documented.

## 8. SOVEREIGN STATE RISK PROCESS

- 8.1. Sovereign state risk (SSR) is defined as the risk to the values or reputation of the School arising from an association with an overseas sovereign state or a government or with any person, organisation or other entity forming part of or closely linked (for example through lines of funding or control) to a state or government. Unless captured by this definition, we do not by default include individual nationals or residents of the state concerned, who may have no complicity, in or responsibility for the actions of that state.
- 8.2. The Division responsible for the funding must ensure that appropriate due diligence is undertaken to determine whether any funding accepted by the School requires registration under the Foreign Influence Registration Scheme. For further information and guidance, please contact [ethics@lse.co.uk](mailto:ethics@lse.co.uk).
- 8.3. In order to identify the levels of risk associated with sovereign states the Sovereign State Risk Index has been developed using a variety of internationally recognised data sources. All countries are given a risk rating: High, Medium or Low. This rating determines the review route for the funding.
- 8.4. The Sovereign State Risk Index is updated twice a year. The full methodology is available at Annex B. The Governance & Ethics Manager and the PAGE Due Diligence & Income Administration Manager will collate and supply data on Sovereign State Risk.
- 8.5. For all proposed funding from sovereign states (eg. Government departments) Sovereign State Risk due diligence reports will include data on country risk, as well as full information on the funder. For funding from state-affiliated or state-owned organisations, standard due diligence searches will be conducted for the organisation and provided alongside the state data.
- 8.6. For the purposes of Executive Education courses, state employees (in any non-sanctioned states) can be enrolled on any offered course without seeking further approval, provided that the course has not been customised or modified specifically for those employees.
- 8.7. All proposed funding from sovereign states, for any purpose, and for any amount, should be reviewed through the following approval process determined by the level of risk:

- i. Low Risk: i.e. no risk or negligible risk to the School's values or reputation from the proposed association. The Governance & Ethics Manager will determine whether:
  - The entity can in principle continue to be approached or responded to in respect of an association with the School, subject to the usual approval processes; or
  - The association be escalated to the EFERB Chair and one other designated member of EFERB for consideration.
- ii. Medium Risk: i.e. there is some risk to the School's values or reputation. Cases are referred to the EFERB Chair and one other designated member of EFERB to decide:
  - The entity can in principle continue to be approached or responded to in respect of an association with the School, subject to the usual approval processes; or
  - The entity should not be approached or should be politely refused; or
  - The association should be escalated to EFERB for consideration.
- iii. High Risk: i.e. there is considered to be high risk to the School's values or reputation. Cases of high concern will require an EFERB assessment on whether the risk of the proposal is acceptable. EFERB will decide:
  - That the entity can in principle continue to be approached or responded to in respect of an association with the School, subject to the usual approval process; or
  - That the entity should not be approached or should be politely refused; or
  - That further information be sought e.g. from country experts; or

- 8.8. Where a decision cannot be reached, or EFERB is of the view that funding should be recommended for acceptance but that the level of reputational risk is particularly high, EFERB may consult with SMC before making a final decision.
- 8.9. Decisions will be made on the basis of the criteria for assessment laid out in section 4 of the Ethical Acceptance of External Funding Policy.

## 9. MANAGEMENT AND REPORTING

- 9.1. The responsible Division will record all ethical and reputational risk assessments and related decisions on an internal database.
- 9.2. As set out in the EFERB Terms of Reference, an annual report covering the Board's decisions will be made to the School Management Committee.

# Annex A: External Funding Ethical Acceptance Procedures

## RESPONSIBILITIES IN THE EXTERNAL FUNDING ETHICAL ACCEPTANCE PROCESS

	<b>Ethical Acceptance of External Funding Related Responsibilities</b>
<b>Income generating Divisions</b> <ul style="list-style-type: none"><li>• PAGE</li><li>• Research and Innovation</li></ul>	<p>Each respective Division must:</p> <ul style="list-style-type: none"><li>• Conduct their own ethical and reputational risk assessments for all proposed funding.</li><li>• Provide decisions from Division Directors (or their delegates) at level one and two of the approval thresholds.</li><li>• Refer cases to the appropriate decision-making level when proposals exceed specific financial thresholds or when ethical concerns arise during the ethical and reputational risk assessment process, triggering the need for escalation based on the risk rating.</li><li>• Ensure all relevant approvals are sought prior to the signing of a gift agreement or contract</li></ul>
<b>Philanthropy and Global Engagement (PAGE)</b>	<ul style="list-style-type: none"><li>• Provide training and support on due diligence with the Secretary's Division.</li><li>• Use expertise to develop best practice models.</li><li>• Advise on due diligence resources</li></ul>
<b>Secretary's Division</b>	<ul style="list-style-type: none"><li>• The development and implementation of:<ul style="list-style-type: none"><li>◦ The Ethical Acceptance of External Funding Policy</li><li>◦ The Ethical Acceptance of External Funding Procedures</li></ul></li><li>• Manage and provide administrative support for the External Funding Ethical Review Board</li><li>• Arrange training and support for other income generating divisions on due diligence with PAGE.</li><li>• Providing Governance and Ethics Manager approvals</li><li>• Reporting on decisions related to the ethical acceptance of external funding.</li><li>• Coordinating the Network for the Acceptance of External Funding (to replace the Ethical Due Diligence Network) for those involved in external funding across the School.</li></ul>

	<b>External Funding Ethical Acceptance related responsibilities</b>
<b>School Secretary</b>	<ul style="list-style-type: none"> <li>• Chair of EFERB</li> <li>• Signs all gift agreements</li> </ul>
<b>School Management Committee (SMC)</b>	<ul style="list-style-type: none"> <li>• Approves School policy and procedures related to the ethical acceptance of external funding.</li> <li>• Considers cases escalated from the EFERB</li> <li>• Receives an annual report on the decisions of the EFERB.</li> </ul>
<b>External Funding Ethical Review Board (EFERB)</b>	<p><b>Ethical approval for the source of the income</b></p> <p>Based on thresholds and dependent on ethical concerns identified during the ethical and reputational risk assessment process:</p> <p>£1m to £4.99m two designated members of EFERB  £5m + Full EFERB meeting</p>
<b>Finance Division</b>	Reviews and provides financial approval for donations.
<b>Legal Team</b>	Reviews and provides approval for non-standard and complex Gift Agreements.
<b>Communications Division</b>	<p>Director of External Communications is a member of EFERB and advises on all cases considered by the Board.</p> <p>Development of communications plans where recommended to EFERB.</p>

## ANNEX B: SOVEREIGN STATE RISK METHODOLOGY

9.3. The Sovereign State Risk Index is used to provide risk levels for all states. The index includes the following datasets:

- a) Varieties of Democracy (V-Dem) dataset. The scores and ranks of the V-Dem 'Liberal Democracy Index' - the primary V-Dem ranking -scores are given from 0 to 1, with 1 being the most democratic. The highest given score is 0.88.<sup>2</sup>
- b) Political Terror Scale data (PTS) based on Amnesty International: The State of the Worlds' Human Rights and US Department of State: Country Reports on Human Rights Practices. PTS data ranks countries from 1 for low score of political terror to 5 for high levels of state-sanctioned killings, torture, disappearances and political imprisonment.<sup>3</sup>
- c) Transparency International Corruption Perception score and rank. Countries ranked from 1 very clean to 180 highly corrupt.<sup>4</sup>
- d) Reporters Without Borders (RSF) Press Freedom score and rank. Countries ranked from high to low press freedom.<sup>5</sup>
- e) UK, US or EU Sanctions.<sup>6</sup>

9.4. The data is applied as follows for each of the risk categories.

### 9.5. **Low Risk**

A country must fulfil ALL of the criteria below:

- V-Dem LDI score of 0.5 or above
- PTS score of 1 on BOTH Amnesty AND US State Dept. where both exist
- TI corruption score: within the top quartile (top 25% of countries)
- Press Freedom score: within the top quartile (top 25% of countries)
- Sanctions: Not on any of the sanctions list
- Countries must have a value for all four essential data points to be given Low status.

### 9.6. **High Risk**

- If ANY of the criteria below are met:
- V-Dem LDI score of 0.2 or below

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<sup>2</sup> Varieties of Democracy Index. Accessed on 26/02/2025.

<sup>3</sup> The Political Terror Scale. Accessed on 26/02/2025.

<sup>4</sup> Transparency International, Corruption Perceptions Index. Accessed on 26/02/2025.

<sup>5</sup> Reporters Without Borders, Press Freedom Index. Accessed on 26/02/2025.

<sup>6</sup> EU Sanctions Map, US Sanctions, UK Sanctions. Accessed on 26/02/2025.

- PTS score of 4 or 5 on EITHER Amnesty OR US State Dept. where both exist
- TI corruption score: within the bottom quartile (bottom 25% of countries)
- Press Freedom score: within the bottom quartile (bottom 25% of countries)
- Sanctions: On EU, US or UN sanctions list

#### 9.7. **Medium Risk**

All countries that do not fit into low or high are automatically given medium risk status.

## Review schedule

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

## Version history

Version	Date	Approved by	Notes
<b>Procedures for the Ethical Review of Grants and Donations</b>			
1.0	June 2012	Council	
2.0	November 2016	Ethics Policy Committee SMC	
3.0	January 2019	SMC	Noted by Ethics Committee – Feb 2019
<b>External Funding Acceptance Procedures</b>			
1.0	November 2021	SMC	
1.1	July 2023	School Secretary	Changes to job titles and links updated
1.2	November 2023	SMC	
<b>Ethical Acceptance of External Funding Procedures</b>			
1.0	September 2025	SMC	Significant review – included but not limited to, changes to approval thresholds and decision-making delegations, incorporation of Sovereign State Risk process.

## Links

Reference
<a href="#">The Ethics Code</a>
<a href="#">Financial Regulations</a>
<a href="#">Policy Against Bribery and Fraud</a>
<a href="#">Scheme of Delegated Legal Authority</a>
<a href="#">External Funding Ethical Acceptance Policy</a>
<a href="#">Acquisition and Management of Artworks Policy</a>
<a href="#">Advisory Board Guidance</a>
<a href="#">Philanthropic and Honorable Naming Policy</a>
Pricing and Costing procedure – Contact Proposition Development and Income Management, PAGE
<a href="#">Conflict of Interest Policy</a>

## Contacts

Position	Name	Email	Notes
Governance and Ethics Manager	Katie Crystal	<a href="mailto:ethics@lse.ac.uk">ethics@lse.ac.uk</a>	Author

**Communications and Training**

Will this document be publicised through Internal Communications?	Yes
Will training needs arise from this policy	Yes
If Yes, please give details: PAGE/R&I staff training on responsibilities in relation to the procedures. School wide awareness information and training also to be developed.	