

## **PROCEDURES FOR THE ETHICAL REVIEW OF GRANTS AND DONATIONS**

### **A. Introduction**

These procedures set out the acceptance process for all major gift donations, in accordance with the Donations Acceptance Policy.

In accordance with the Donations Acceptance policy, no individual, centre or department should request a donation from an individual, foundation, company, friends group or any other organisation without first consulting LSE Advancement or the Research Division at an early stage. This does not apply to discussions with the Economic and Social Research Council and similar grant giving bodies over potential competitive bids for funds, to be determined by the Director of Research Division in accordance with the *Guidance for the Assessment of Grants and Donations (Annex C)*.

### **B. Procedures for the review of grants and donations**

1. Proposed donations from the UK government, UK Universities<sup>1</sup>, funding councils and related bodies within the UK, USA or EU or the UN System<sup>2</sup> will not be subject to the due diligence process and can be progressed to the signing of an appropriate agreement with the funder in accordance with the Donations Acceptance Policy.
2. Proposed donations resulting in an association with a government or government body will be subject to the Sovereign State risk process.
3. Procedure for all other major gift donations of between £10,000 and £249,999 (Annex A):
  - 3.1 Initial due diligence<sup>3</sup> will be conducted for all proposed donations between £10,000 and £249,999 and will be subject to review by and approval from the Director of Advancement when relating to LSE Advancement, or the Director of Research Division when relating to Research Division.
  - 3.2 The Director of Advancement and Director of Research Division will either (i) approve the progression of the donation or funding (ii) reject it (iii) refer the case to the Chair and an additional member of the Ethics (Grants and Donations) Panel (iv) request full due diligence or further research, as appropriate or (v) consult the Director of Communications to advise on reputational risk prior to the previous actions, in accordance with the *Guidance for the assessment of grants and donations (Annex C)*.
  - 3.3 Where a Director may have a conflict of interest such as being the principal relationship manager, the other Director will review the due diligence.
4. Procedure for all other major gift donations of £250,000 or above (Annex B):

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<sup>1</sup> HEFCE Funded

<sup>2</sup> UN Funds, Programmes, Specialized Agencies and Related Organizations

<sup>3</sup> Initial due diligence provides an overview of a funder to identify any potential areas of ethical and reputational risk concerning the donor. Research is conducted to establish source of wealth and a standardised string of negative terms is used on Lexis Nexis (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 summary also provides a brief description of the funder's background and any previous donations to the School.

Proposed donations of £250,000 or above will be subject to both *Clearance to proceed*<sup>4</sup> and, subsequently, *Approval to accept*.<sup>5</sup>

4.1 *Clearance to proceed*: Proposed donations of £250,000 or above will be subject to *clearance* once a proposal has been drafted and prior to the proposal being discussed with the potential donor. The clearance procedure will be implemented in the following order:

- i) Full due diligence<sup>6</sup> will be conducted, and considered by the Director of Advancement in accordance with the *Guidance for the assessment of grants and Donations (Annex C)*;
- ii) The proposed donation will be referred to the School Management Committee (SMC) to provide a view on School prioritisation of the proposed donation;
- iii) The proposal can be progressed on to costing and pricing, discussion with the donor and a draft gift agreement.

4.2 *Ethical Approval*: Proposed donations over £250,000 or above will be subject to *approval* once the terms of the donation have been finalised. The approval procedure will be implemented in the following order:

- i) Due diligence briefings will be updated for cases identified as high risk at the earlier clearance stage, or where there has been a substantial time lapse since clearance;
- ii) Due diligence for proposed donations of between £250,000 and £4,999,999 million will be automatically referred to the Chair of the Ethics (Grants and Donations) Panel and an additional Panel member who will either (i) approve the acceptance of the donation or funding from the donor or funder (ii) reject it or (iii) refer the case to the next scheduled meeting of the Ethics (Grants and Donations) Panel.
- iii) Due diligence for proposed donations of £5,000,000 or above are to automatically be reviewed at the scheduled meeting of the Ethics (Grants and Donations) Panel. The EGDP will either (i) approve the acceptance of the donation or funding from the donor or funder (ii) reject it or (iii) refer the case to Ethics Policy Committee where the Panel is unable to reach majority agreement (according to its terms of reference) or may refer to it any other matter which raises particular difficulties setting out its recommendations and the reasons for them.

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<sup>4</sup> Clearance enables the early identification of potential issues with a donation in terms of ethical and reputational risks concerning the donor, and ensures that School Management is aware of significant fundraising proposals.

<sup>5</sup> Approval to Accept enables the approval of a donation in full knowledge of the final terms of the donation, which may have changed since the clearance stage.

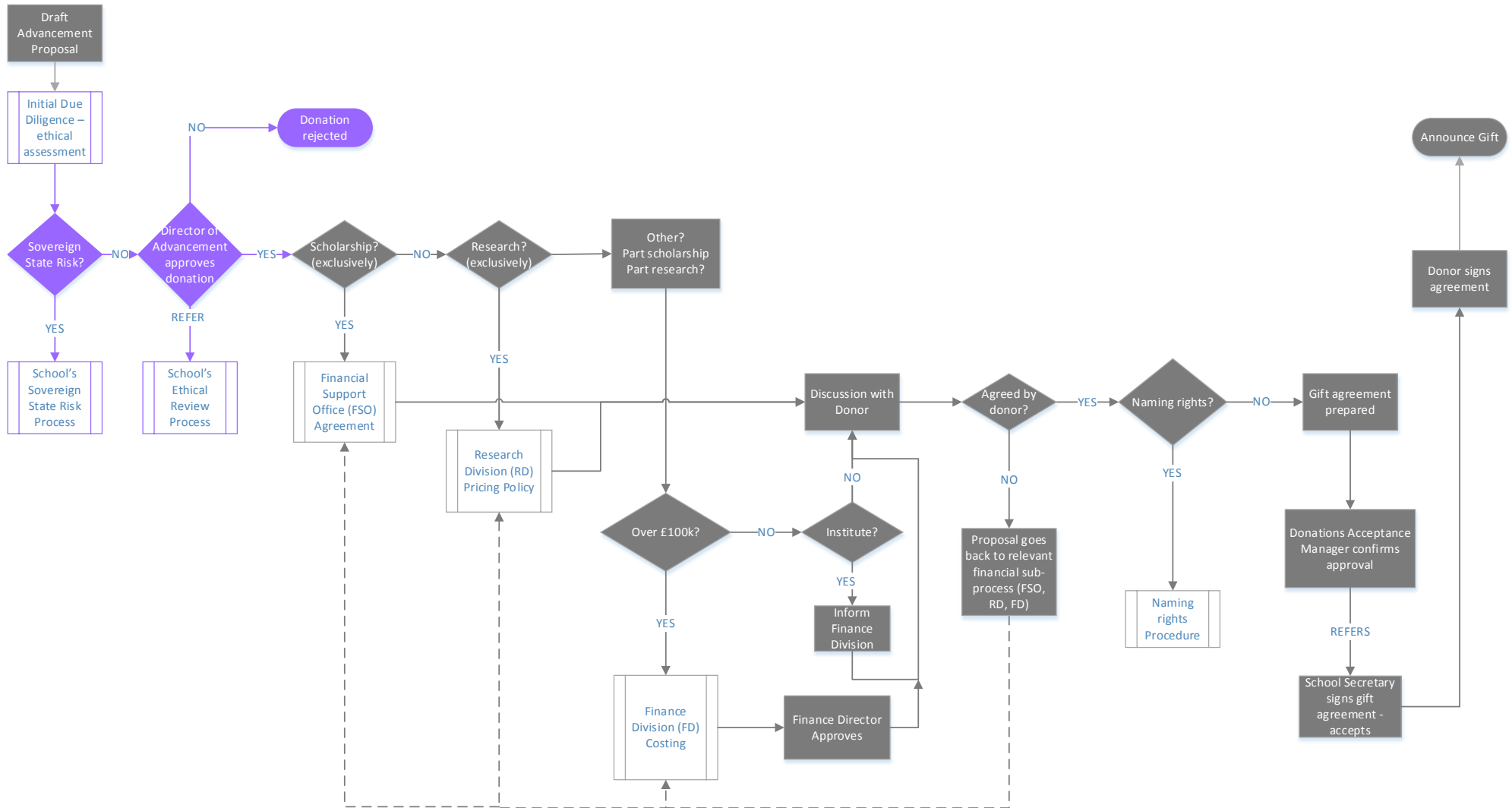
<sup>6</sup> Full due diligence provides a more in depth review of potential areas of ethical and reputational risk directly concerning the sources of the funding (i.e. secondary funders; 'funders behind the funder' and history) and relating indirectly to the sources of funding (i.e. family and affiliates). More extensive negative 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, their philanthropy and their relationship with the School. Additional resources may also be used and standard searches modified to produce a more relevant set of results regarding potential ethical or reputational risks. The potential areas of concern are summarised at the beginning of the briefing and sources are cited in footnotes.

- 4.3 Proposed donations from donors previously approved for other donation proposals will be subject to renewed due diligence and the review procedure set out above at 4.1ii) and 4.2ii).
5. Decisions on whether prior due diligence approval for one company will apply to another company within the same corporation (parent or subsidiary) for proposed donations under £249,999 will be determined, case by case, by the Director of Advancement or Director of Research Division. The Chair of the Ethics (Grants and Donations) Panel will determine such for proposed donations of £250,000 and above.

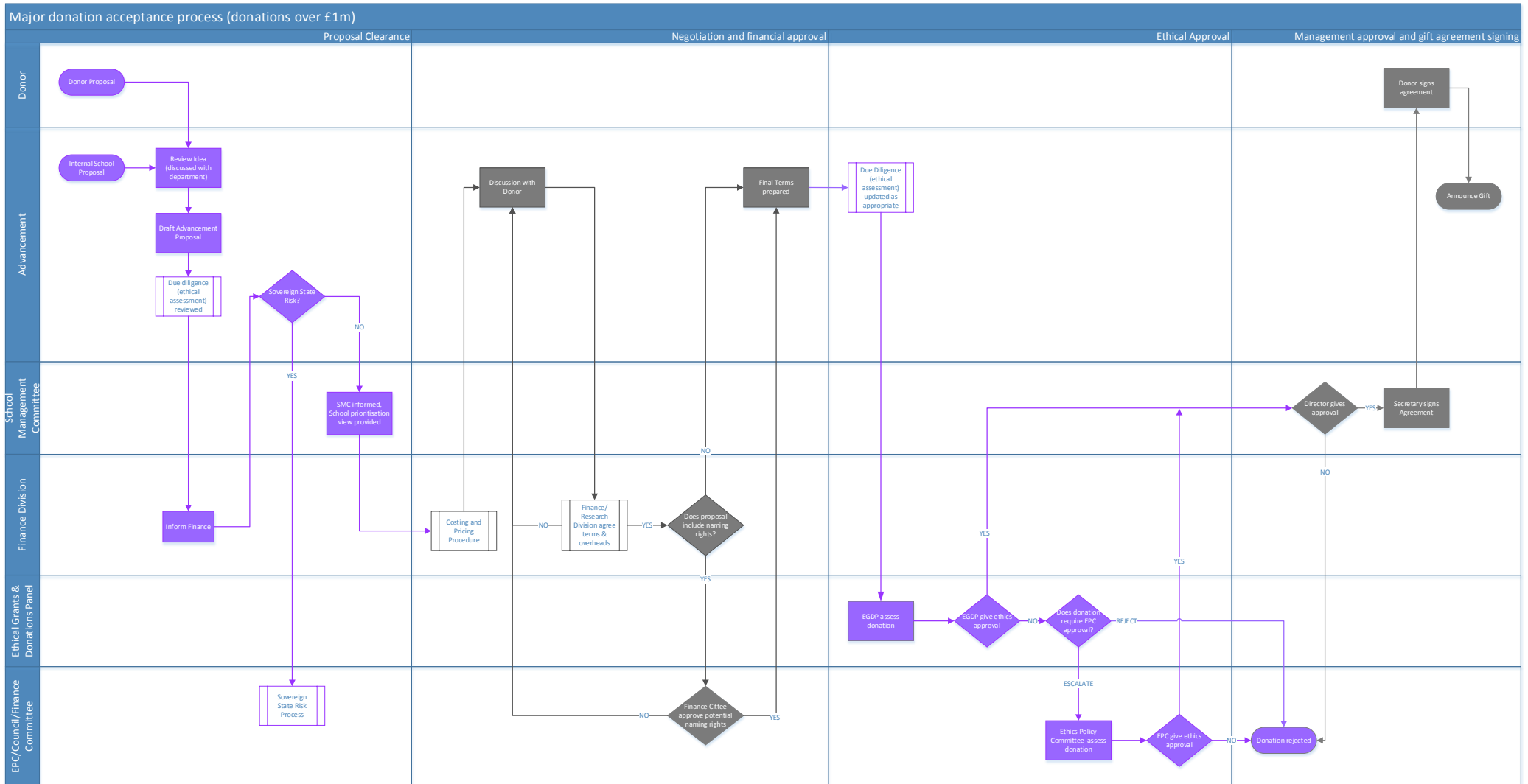
### **C. Management and reporting**

1. All donations of between £10,000 and £249,999 that have been approved or rejected by the Director of Advancement or Director of Research Division will be reported to the Ethics (Grants and Donation) Panel at each scheduled meeting.
2. All donations that have been approved or rejected by the Chair and an additional member of the Ethics (grants and donations) Panel will be reported to the Ethics (Grants and Donation) Panel at each scheduled meeting.
3. LSE Advancement will record all due diligence and related decisions on the database that LSE Advancement manages on behalf of LSE.

**Annex A: Major Donations Acceptance Process for £10,000 – £250,000**



**Annex B: Major Donations Acceptance Process for £250,000 + (Clearance and Approval to accept)**



## **Annex C: Guidance for the Ethical Assessment of Grants and Donations.**

Status: This guidance is appended to the Procedures for the Ethical Review of Grants and Donations.

### **1. Cases of high ethical risk, to be referred to the Ethics (Grants and Donations) Panel**

The following criteria will be considered when deciding whether to refer a matter:

- a) Serious legal, ethical or reputational issues are found in relation to the sources of funding (funder/s), including but not limited to:
  - i) Significant proven cases or allegations of (including but not limited to):
    - Illegal conduct e.g. money laundering, fraud, bribery, corruption, organised crime
    - Other financial misconduct e.g. tax evasion, insider trading
    - Human rights abuse e.g. child labour, human trafficking, poor working conditions
    - Terrorism or political engagement with controversial, anti-democratic or sanctioned regimes e.g. Iran
    - Environmental damage e.g. deforestation, toxic waste
  - ii) Significant involvement in 'caution' industries (including but not limited to):
    - Arms dealing and manufacture
    - Tobacco manufacture
    - Coal mining or Oil/Tar sands extraction
    - Animal Testing
    - Pornography
    - Gambling
- b) Proposed funding which may conflict with other acceptance principles outlined in the Donations Acceptance policy (Appendix A); compromising the independence of LSE and/or are counter to LSE interests;
- c) Any other matter connected with acceptance of proposed funding or ongoing relations with a funder that raises issues of a legal, reputational, ethical or similar nature;
- d) Cases in which material information is received about a funder or funding (including a series of funds) after the funding has been given which might breach the guidelines;
- e) Funding shall only be accepted if the identity of the funder is known. Funding will not generally be accepted if an intermediary negotiates a benefaction on behalf of the funder who requires complete anonymity. Whilst the School may agree that it will not publicly acknowledge the name of the funder, the identity of that funder must be explicitly known to

Advancement in order to carry out the necessary due diligence.

## **2. Criteria to be drawn to the attention of the Ethics (Grants and Donations) Panel**

The following criteria will be taken into account in the consideration of any case:

- a) any possibility that the funding under consideration is or might be associated with illegal activities under the Proceeds of Crime Act, the Bribery Act or anti-terror financing legislation.
- b) any possibility that acceptance of the funding or any of its terms may not be in the best interests of the School on account of any one or more of the following:
  - i. where the activities of a funder are in conflict with the objectives and agreed policies of the School or its beneficiaries;
  - ii. where conditions imposed by a funder run counter to standard academic practice or would impose on the School academic objectives contrary to those already agreed by the school;
  - iii. where the offer of support is dependent on the fulfilment of conditions placed upon the School which are perceived to be too onerous or counter to the School's objectives;
  - iv. where acceptance would be unlawful or otherwise counter to public interest;
  - v. where the money derives from a source counter to the School's objectives;
  - vi. where a funder has had a reputation compromised in some way, and the behaviour which led to the funder's reputation being compromised has not clearly ceased or the reputation remains compromised.
  - vii. where for any of the above or some other reason the acceptance of the funding would involve an unacceptable risk of reputational damage to the School

**Review schedule**

Review interval	Next review due by	Next review start
1 year	July 2017	May 2017

**Version history**

Version	Date	Approved by	Notes
1.0	June 2012		
2.0	November 2016	Ethics Policy Committee / SMC	

**Links**

Reference	Link
Acquisition and Management of Artworks Policy	<a href="http://www.lse.ac.uk/intranet/LSEServices/policies/pdfs/school/artPol.pdf">http://www.lse.ac.uk/intranet/LSEServices/policies/pdfs/school/artPol.pdf</a>
Donations Policy	<a href="http://www.lse.ac.uk/intranet/LSEServices/policies/pdfs/school/donPol.pdf">http://www.lse.ac.uk/intranet/LSEServices/policies/pdfs/school/donPol.pdf</a>
The Ethics Code	<a href="http://www.lse.ac.uk/intranet/LSEServices/policies/pdfs/school/ethCod.pdf">http://www.lse.ac.uk/intranet/LSEServices/policies/pdfs/school/ethCod.pdf</a>
The Ethics Code Guidance	<a href="http://www.lse.ac.uk/intranet/LSEServices/ethics/ethics-images/EthicsCodeGuidance2014v2xx.pdf">http://www.lse.ac.uk/intranet/LSEServices/ethics/ethics-images/EthicsCodeGuidance2014v2xx.pdf</a>
Financial Regulations	<a href="http://www.lse.ac.uk/intranet/LSEServices/finance/Division/Financial%20Regulations.aspx">http://www.lse.ac.uk/intranet/LSEServices/finance/Division/Financial%20Regulations.aspx</a>
Policy Against Bribery and Fraud	<a href="http://www.lse.ac.uk/intranet/LSEServices/policies/pdfs/school/fraPol.pdf">http://www.lse.ac.uk/intranet/LSEServices/policies/pdfs/school/fraPol.pdf</a>
Ethics Protocols on Admissions Conflicts of Interests Policy	[Link to be added]
Pricing and Costing Procedure	[Link to be added]
Scheme of Delegated Legal Authority	[Link to be added]
Ethics Protocols on Admissions Conflicts of Interests Policy	[Link to be added]

**Contacts**

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