Risk-tiered due diligence framework

Some cultural organisations may wish to adopt a risk-tiered due diligence framework to help them set out a **proportionate approach** to financial vetting and due diligence on funders, based on **risk, value and visibility**. It supports trustees and staff to take reasonable, consistent steps to protect public trust and act in the charity's best interests.

An amended version for your cultural organisation could be created which could also be combined into the due diligence framework outlined above (see page 27).

Optional wording for policies

"The charity applies a risk-tiered approach to due diligence of funders. The level of scrutiny applied will be proportionate to the size, nature and visibility of the funding, and any associated legal or reputational risk. Decisions will be recorded and escalated appropriately in line with Charity Commission guidance."

How to use this framework

1. **Assign a risk tier** to the funding offer
2. **Carry out the checks listed for that tier**
3. **Escalate** where risks are identified
4. **Record** the decision and rationale

Overview of risk tiers

Tier	Typical funding	Risk profile	Approval
Tier 1 – Low risk	Small donations, low visibility	Minimal reputational or legal risk	Staff / Executive
Tier 2 – Medium risk	Larger gifts, visible support	Some reputational or operational risk	Executive + Trustee
Tier 3 – High risk	Major gifts, sponsorship, naming rights	Significant reputational / legal risk	Full Board

Tier 1 – Low-risk funding

Examples
- Small individual donations
- Local fundraising events
- Donations below an agreed threshold

Risk characteristics
- Low value
- No public visibility
- No conditions attached

Due diligence checks
- Confirm identity (where known)
- Basic online sense-check (no obvious red flags)
- Ensure donation is lawful

Decision-maker
- Director / Producer / Fundraising lead

Record
- Brief note of acceptance (date, amount, decision-maker)

Tier 2 – Medium-risk funding

Examples
- Larger individual donations
- Trusts and foundations
- Local or regional corporate sponsors
- Funding with branding or acknowledgment

Risk characteristics
- Moderate value
- Public association with the organisation
- Possible conditions or expectations

Due diligence checks
- Confirm legal identity and registration (e.g. Companies House / Charity Register)
- Review recent media coverage and public reputation
- Check for regulatory action, litigation or sanctions (basic screening)
- Review any conditions attached to the funding
- Assess alignment with organisational purpose

Decision-maker
- Executive + Chair or nominated trustee

Mitigation options
- Limit branding or naming
- Time-limit the agreement
- Add exit or review clauses

Record
- Summary of checks undertaken
- Risks identified and mitigations
- Rationale for decision

Tier 3 – High-risk funding

Examples
- Major donations or sponsorships
- Naming rights
- Multi-year or strategic partnerships
- Funders linked to high-risk sectors or jurisdictions
- Politically sensitive or contested funders

Risk characteristics
- High value
- High public visibility
- Potential reputational or legal concerns

Due diligence checks
- All Tier 2 checks
- Source of funds review (where appropriate)
- Sanctions and politically exposed persons (PEP) screening
- Review of financial stability (accounts, filings)
- Assessment of human rights / environmental / other concerns where relevant
- Legal advice (where appropriate)

Decision-maker
- Full Board of Trustees

Mitigation options
- Reduced or no public branding
- Clear separation from artistic or curatorial decision-making
- Contractual safeguards and exit clauses
- Time-limited acceptance with review points

Record
- Detailed decision paper
- Trustee discussion and resolution
- Clear statement of best-interests reasoning

Escalation triggers (apply at any tier)
Escalate to the **next tier** if:
- Credible concerns emerge during checks
- Circumstances change (e.g. changes in a sponsor's strategy or policy)
- The public visibility of the funder or partnership increases
- Staff, artists or communities raise serious concerns

Ongoing monitoring
For **Tier 2** and **Tier 3** funders:
- Review relationships every six months or annually
- Reassess if new information emerges
- Document reviews and outcomes