The Corporate Waqf in Law and Practice

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INTRODUCTION

Over the past fifty years, a novel form of corporate ownership has emerged in Turkey, Pakistan, India, Bangladesh, and Malaysia. The innovation of the “corporate waqf,” as this form has become popularized,

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1. Malaysia’s Johor Corporation was the first to coin the term “corporate waqf” in establishing Waqaf An-Nur in 2006. However, the organizational structure itself appeared
refers to a charitable endowment whose asset base consists of shares in a company. The term “corporate waqf” is a reference to the Islamic trust (the waqf), a traditional arrangement used to further charitable ends by placing an asset into perpetual endowment with the returns allocated to prescribed beneficiaries, and to the modern Western corporation and its main features of issued stock, limited liability, and established governance models. The corporate waqf arrangement enables an individual to transfer his/her ownership share in a company to a charitable foundation in perpetuity. Voting rights for the shares typically transfer to one or more trustees (mutawallis) and dividends are allocated to the prescribed beneficiary.

The “corporate waqf” shares a number of key features with the industrial foundations popularized in Northern Europe. It is charged with managing endowed shares and disbursing earned dividends. In some cases, the corporate waqf is a majority owner of a company and exercises managerial control, while in other cases the corporate waqf is a minority shareholder and exercises minority voting rights. A review of existing literature on the corporate waqf brings to light a wide range of arrangements that have been given this label. For example, Waqaf Selangor Muamalat is a collaboration between an Islamic commercial bank, Bank Muamalat Malaysia Berhad (BMMB), and the state-owned waqf management institution, Perbadanan Wakaf Selangor Berhad (PWS). The bank collects waqf funds from individuals and institutions, and a joint committee with membership from BMMB and PWS manages the waqf fund and diverts investment returns to education, healthcare, and

2. Variably spelled as waqaf of wakaf (Malaysian) and vakfi (Turkish).

3. For a rigorous account of the history and modern status of the waqf, see generally Murat Çizakça, Awqaf in History and its Implications for Modern Islamic Economies, 6 ISLAMIC ECONOMIC STUDIES 1 (1998); Magda Ismail Abdel Mohsin et al., FINANCING THE DEVELOPMENT OF OLD WAQF PROPERTIES: CLASSICAL PRINCIPLES AND INNOVATIVE PRACTICES AROUND THE WORLD (2019).

4. For background on the industrial foundations, see generally Steen Thomsen, THE DANISH INDUSTRIAL FOUNDATIONS (2017); Henry Hansmann and Steen Thomsen, Virtual Ownership and Managerial Distance: The Governance of Industrial Foundations (March 2013); Steen Thomsen, Industrial Foundations: Foundation Ownership of Business Companies, in LEGITIMACY OF PHILANTHROPIC FOUNDATIONS: UNITED STATES AND EUROPEAN PERSPECTIVES (Kenneth Prewitt, Mattei Dogan, Steven Heydemann, and Stefan Toepler eds., 2006).

investment activities. Scholars who label this arrangement a corporate \textit{waqf} do so on the grounds that “it is established by corporate institutions of BMMB and its investment arm, Muamalat Invest Sdn. Bhd.”

For the purposes of this article, the corporate \textit{waqf} models considered will be limited to those institutions whose asset base is comprised of shares in a company and who hold some managerial role in that company. Within this narrowed definition, organizational features of the corporate \textit{waqf} remain diverse. Individuals or entities endow shares in companies belonging to widely ranging sectors, from industrial conglomerates to religious travel agencies. The corporate \textit{waqf}'s share in a company ranges from a minority percentage to complete ownership. The corporate \textit{waqf} is established by a company’s founder, individual shareholders, or government entities. Governmental regulation ranges from exercising complete control over the \textit{waqf} assets to providing limited oversight by the trustees to prevent managerial abuse. Some core features are consistently observed across the various corporate \textit{waqf}s: the perpetual nature of the foundation, divestment of ownership from the original shareholder, the management of the endowed shares by a not-for-profit entity, and the allocation of returns to a charitable foundation.

The corporate \textit{waqf} has gone virtually unnoticed in Western scholarship and, until now, comprehensive theorization and mainstreamed models of the corporate \textit{waqf} have not been developed. Such an effort would benefit from comparative reference to the foundation-owned firms of Northern Europe, which have attracted

\begin{enumerate}
  \item Id. at 10-11.
  \item Id. at 13.
  \item A number of Malaysian scholars have written on the corporate \textit{waqf} over the past decade. This body of scholarship is limited to theoretical origins of the \textit{waqf} and provides limited description and some examples of the corporate \textit{waqf} in practice. See e.g., Asharaf Mohd Ramli and Abdullah Jalil, \textit{Corporate Waqf Model and its Distinctive Features: The Future of Islamic Philanthropy}; Fakhrul Anwar Zainol et al., \textit{Social Entrepreneurship Via Corporate Waqf: A Case of Islamic Chamber of Commerce (ICC) in Malaysia}, \textit{GLOBAL J. OF COM. & MGMT. PERSP.} (2014); Norma Md Saad et al., \textit{Managing Corporate Waqf in Malaysia: Perspectives of Selected SEDCs and SIRCs}, 25 \textit{SHARI'AH J.} 1 (2017); Nurul Adilah Hasbullah and Khairil Faizal Khairi et al., \textit{Corporate Waqf as an instrument for Sustainability of Economic Well-Being}; Khairil Faizal Khairi, \textit{Share Waqf (Corporate Waqf) As An Alternative Financial Instrument In Improving The Communities And Nation Welfare}; Nathasa Mazna Ramli and Nurul Aini Muhamed, \textit{Good Governance Framework for Corporate Waqf: Towards Accountability Enhancement}, Proceedings of World Universities’ Islamic Philanthropy Conference 2013. The most serious analyses have been advanced by Murat Çizakçă. Notably, no scholarship has developed rigorous theorization of the corporate \textit{waqf} and no empirical studies of this form have been developed. Additionally, no literature considers the parallels between the corporate \textit{waqf} and the industrial foundations.
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scholarly attention in the past decade due to their favorable economic performance and apparent contravention of mainstream agency theory. An account of the structure and features of the corporate waqf can contribute to this growing literature and offer the beginnings of institutional knowledge transfer between regions with differing cultural, legal, political, and economic contexts. This article offers the beginnings of such a venture, by introducing the corporate waqf to Western legal academia and outlining its main features.

This article proceeds in three parts. Part I identifies the legal foundations of the corporate waqf in both Islamic law and the codified laws of Turkey, Malaysia, and India, where the corporate waqf has become popular. It begins with a brief account of the “cash waqf” innovation in Ottoman Turkey, and attributes the emergence of the “share waqf,” and subsequently the corporate waqf, to those jurisprudential origins. It then turns to the modern legal codes of Turkey, Malaysia, and India to examine the corporate waqf in practice. Part II examines the ways that the theory of the corporate waqf has been operationalized by providing three illustrative examples: Koç Holding and Vehbi Koç Vakfı; Johor Corporation and Waqaf An-Nur; and Hamdard (Waqq) Laboratories and Hamdard National Foundation. Part III examines the corporate waqfs alongside the industrial foundations and foundation-owned-firms of Northern Europe, and offers the beginnings of a comparative analysis of the two institutions. The article concludes by outlining the broad strokes of a research agenda focused on the corporate waqf.

I. LEGAL FOUNDATIONS OF THE CORPORATE WAQF

The corporate waqf sits at the intersection of Shari’a (classical Islamic law) and modern corporate law, offering a unique hybridization of these two legal traditions. This section provides context for the jurisprudential origins of the corporate waqf and the modern legal codes that govern it today. In the first part of this section, the corporate waqf is situated as the offshoot of the classical Islamic doctrine of waqf, which witnessed the emergence and mainstreaming of the cash waqf, and later gave rise to the share waqf that now comprises the foundation of this novel corporate arrangement. A look into the Islamic doctrine offers insights into the objectives of the corporate waqf, and identifies the parameters that define and constrain its institutional design. The second part of this section turns to the modern legal codes in Turkey, Malaysia, and India that have been

The corporate waqf is a recognized institutional form in their contemporary economies. The two-pronged exposition brings to light a modern institution with classical roots, which has taken various shapes informed by religious, cultural, and political influences.

A. Foundations of the Waqf in Islamic Law

The waqf institution emerged and developed in the early centuries of Islam. The legal theory underlying the waqf was to advance charity as a means of fulfilling religious obligations. Of course, the waqf arrangement was used to achieve worldly ends as well, including tax evasion, distribution of assets outside the Shari’a requirements for inheritance, or protection of assets from misuse or mismanagement by successive generations. The waqf arrangement permits separation of ownership from usufruct and grants interest in the usufruct to the intended beneficiaries. A waqif (founder of the waqf), who must be the owner of the asset endowed, may place his assets into a waqf. Upon its designation as the object of a waqf arrangement, the waqf asset, in effect, becomes inalienable. In the opinions of the classical Islamic jurists, no party has an interest in the waqf property itself and beneficiaries retain interest in the waqf usufruct only.

The waqif enjoys wide discretion in prescribing the conditions of the waqf, such as appointing a mutawalli (trustee), designating beneficiaries, and prescribing all matters generally relating to the waqf insofar as they

11. See Jon E. Mandaville, Usurious Piety: The Cash Waqf Controversy in the Ottoman Empire, 10 INT’L J. MIDDLE EAST STUD. 289 (1979) at 293.
14. Some jurists have interpreted this as meaning that ownership of waqf property becomes vested in God. More recent views interpret this to mean that the waqf is a juristic person that becomes endowed with ownership.
16. A key difference between the mutawalli and the trustee in Anglo-Saxon law is that the mutawalli is strictly a manager to whom the waqf is entrusted and the waqf has no recognized owner, while in the Anglo-Saxon legal tradition the trustee holds title to the entrusted property.
do not contradict the dictates of the Shari‘a.\footnote{17} The \textit{waqf} instrument may reserve to the \textit{waqif}, or to the \textit{waqif} and to \textit{mutawallis}, the right to amend terms related to use of the usufruct or the designation of beneficiaries.\footnote{18} This right grants flexibility to the \textit{waqif} and the \textit{mutawalli} to adapt the \textit{waqf} to new conditions arising over the course of the \textit{waqf}'s implementation, which creates institutional resilience given the \textit{waqf}'s permanent character and the likelihood that unexpected circumstances will arise. The \textit{waqf} instrument may designate the \textit{mutawalli} or, if it does not do so, a \textit{qadi} (judge) may designate him.\footnote{19} The \textit{mutawalli} is generally charged with adhering to the terms of the \textit{waqf} instrument, protecting the \textit{waqf} assets, and distributing its proceeds among designated beneficiaries.\footnote{20} Distinct from the Anglo-Saxon trustee, the \textit{mutawalli} has a right of administration but no ownership rights and no claim to title to the \textit{waqf} assets.

In order for \textit{waqf} property to be created, the \textit{waqif} must explicitly designate it as such, either orally or in writing. A \textit{waqf} may take several forms: a \textit{waqf} \textit{dhurri} (family \textit{waqf}) reserves income to the founder’s children and their descendants in perpetuity, a \textit{waqf} \textit{khayri} (charitable \textit{waqf}) reserves income to some charitable purpose, and a hybrid arrangement may combine both the \textit{waqf} \textit{dhurri} and the \textit{waqf} \textit{khayri}.\footnote{21} At one point, the jurisprudential schools differed on the types of property that could be used to establish a \textit{waqf}, with some interpretations limiting it to real property or to certain types of movable property.\footnote{22} While classical jurists recognized the cash \textit{waqf}\footnote{23} as early as the ninth century, by the mid-

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\item Used here as a reference to the compilation of jurisprudence from the classical Hanafi, Shafi‘i, Maliki, and Hanbali schools.
\item The four schools allowed a \textit{waqif} to amend the terms of his \textit{waqf} instrument one time, if he had stipulated that right in the instrument to start with. If, in the \textit{waqf} instrument, the \textit{waqif} had stipulated for himself the right to make repeated amendments then he could amend the terms of the \textit{waqf} an unlimited number of times. Furthermore, if the \textit{waqif} stipulated in the \textit{waqf} instrument the \textit{mutawalli}'s right to amend the \textit{waqf}, then the \textit{mutawalli} could exercise this right once unless the \textit{waqf} instrument allowed him to make repeated amendments. \textit{See Muhammad Abu Zahrah, Kitab al-waqf}.
\item \textit{See Oxford Islamic Studies Online, Mutawalli, available at http://oxfordislamicstudies.com/article/opr/t125/e1666?_hi=0&_pos=5210}.
\item \textit{Abbasi at 124}.
\item \textit{Mohsin et al. at 4}.
\item \textit{Id. at 135}.
\item As early as the ninth century Maliki jurisprudence had already considered the possibility of placing cash or coins into a \textit{waqf}. \textit{See The Mudawwanah} (Vol. II, p. 103, Ed. Cairo), \textit{available at https://ia902304.us.archive.org/30/items/FP144241/02_144241-2.pdf.}
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sixteenth century the Ottomans popularized the creation of waqf endowments with original capital consisting partially or entirely of cash. In the twentieth century, the waqf of stocks (or “share waqf”) has appeared in Iran, Egypt, Lebanon, India, Pakistan, Bangladesh, Turkey, and Malaysia.

B. Modern Law and Regulation of the Corporate Waqf

Based on the foundations of Shari’a jurisprudence, modern legal regimes in each country elaborate their respective details of administration. Under colonial rule, the waqf system remained dormant for extended periods which were characterized by the dominance of secular law over Islamic law. Reform efforts after independence and details of implementation varied widely between countries. In most cases, the modern waqf regimes were established after the 1960s. The examples of Turkey, Malaysia, and India, detailed below, offer a limited sample of the current laws of waqf. They are by no means an exhaustive survey of the range of legal regimes enacted to manage modern waqfs. Building on the Shari’a, foundations of the cash waqf, the share waqf, and the corporate waqf/ emerged and gained popularity in a number of countries over the past two decades.

1. Turkey

Turkey’s modern law of waqf originated with law 903 of 1967, which made it possible for a waqf to establish its own company, for a to people who would return the same to the dedicatee.” See al-Ma’mun Suhrawardy, The Waqf of Movables, Journal of the Asiatic Society of Bengal, 7 n.s. (1911) 323-430, available at https://archive.org/stream/mobot31753002183827#/page/351/mode/2up.

24. The sixteenth century jurist of the Ottoman Empire, EbuSuud, mainstreamed the arguments for the cash waqf in his Treatise Regarding the Permissibility of Cash Waqfs. See Ebusuud, Risālah fi Jawāz Awqāf al-Nuqūd. Mandaville chronicles the emergence of the cash waqf in the early fifteenth century, its mainstreaming as a legal practice in the mid-sixteenth century, and its dominance as the most common form of endowment by 1560. See Jon E. Mandaville, Usurious Piety: The Cash Waqf Controversy in the Ottoman Empire, 10 INT’L J. MIDDLE EAST STUD. 289 (1979) (Mandaville characterizes the emergence of the cash waqf as a “revolution” countering the traditional criticism of Islamic law as unresponsive to change.).


26. See Murat Çizakça, History of Awqaf in the Ottoman Empire and the Turkish Republic 14, available at https://www.academia.edu/16156826/Waqfs_in_the_Ottoman_Empire_and_the_Turkish_Republic?auto=download.

27. The Diyanet Vakfi, for example, created companies and provided equity finance
company to establish its own waqf, and for an individual or entity to establish a cash waqf using shares in a corporation as the asset base. These regulations enabled a waqf arrangement where founders’ directives could prescribe how revenue would be expended, but not how the waqf assets would be managed, as the waqfs “became passive recipients of profits made by professional managers of companies whose shares they held.” In 1999, Turkey’s General Directorate of Waqfs permitted waqfs to purchase shares of unlisted companies, at the discretion of trustees. Further reforms to the law of waqf were promulgated in the 2008 law of waqf. Among its main provisions were: granting full legal personality to waqfs, exempting waqfs from corporate taxation and subjecting them to income taxation, establishing a fifteen-member Council of Waqfs charged with appointing trustees for waqfs managed by their founders or their descendants, and reducing the minimum capital requirement for establishing a new waqf. Article 26 of the 2008 law permitted a waqf to establish companies to raise revenue and to enter into partnership with established companies.

Foundations may establish economic enterprises and companies provided that they provide information to the General Directorate in order to help fulfill the purpose and to provide income to the foundation. Income derived from economic enterprises, including corporations, can not be allocated for any purpose other than the purpose of the foundation. Provisions governing the acquisition of property by the same foundations about the acquisition of assets by companies whose majority founders are foreign nationals or whose shares are owned by more than half of their shares are

to existing companies. This waqf has established at least six companies, with 80-99% equity in each. See https://www.tdv.org/ (last visited May 10, 2019).

28. Koç Holding, for example, was a large conglomerate that created its own waqf, Vehbi Koç Vakfı.
29. Çizakça (2011) at 104-105.
30. Id.
31. Çizakça (2011) at 105.
33. Id. at Article 4 (“Foundations have private law legal personality.”).
34. Notably, commercial enterprises established by waqfs are subject to corporate tax even if their earnings are allocated to charitable ends.
35. The Council includes five members from Turkey’s General Directorate of Waqfs including the General Director, five members recommended by the Prime Minister, three members elected by new waqfs, one member elected by waqfs established by deceased founders, and one member elected by the minority waqfs.
36. This change notably restricted a traditional right of the waqif to appoint the mutawalli.
37. See Murat Çizakça, *History of Awqaf in the Ottoman Empire and the Turkish Republic* at 14-15.
Article 31 requires *waqf* trustees to issue annual statements, including updates on the *waqf* management team, the previous year’s activities, budget and balance sheet, a list of assets, and all companies and partnerships.

2. Malaysia

According to the Federal Constitution of Malaysia, the *waqf* falls within the exclusive powers of the thirteen state governments. Since the Civil Law Act of 1956 recognizes the disposal of property in accordance with Islamic law, *waqf* properties are within the jurisdiction of the State Islamic Religious Councils (SIRCs). State-level regulations concerning *waqfs* fall into two categories: specific rules and enactments relating to *waqf*, and provisions in the state Administration of Muslim Law enactments. None of the states have restricted the type of asset that may be placed into a *waqf*, thus allowing for the creation of cash *waqf*, share *waqf*, and corporate *waqf*. All of the enactments appoint the SIRC as the ‘sole trustee’ of all *waqfs*.

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38. Law no. 5737 Article 26 (Feb. 2008).
39. Federal Constitution of Malaysia §Ninth Schedule, List II – State List (1953) (“Except with respect to the Federal Territories of Kuala Lumpur, Labuan and Putrajaya, Islamic law and personal and family law of persons professing the religion of Islam, including the Islamic law relating to succession, testate and intestate, betrothal, marriage, divorce, dower, maintenance, adoption, legitimacy, guardianship, gifts, partitions and non-charitable trusts; Wakafs and the definition and regulation of charitable and religious trusts, the appointment of trustees and the incorporation of persons in respect of Islamic religious and charitable endowments, institutions, trusts, charities and charitable institutions operating wholly within the State”). For a list of the states that have promulgated *waqf*-related legislation and the relevant sections, see Sharifah Abdul Kader et al., *The Legal Framework of Waqf in Malaysia* (2013) at 6-7, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2547440.
41. In the states of Perlis, Kedah, Perak, Selangor, Negeri Sembilan, Melaka and Terengganu the *waqf* has been defined as ‘any property from which its benefit or interest may be enjoyed for any charitable purpose’. In the states of Kelantan and Pahang as well as the Federal Territories, the *waqf* is defined as ‘any property from which its capital and income may be enjoyed for any charitable purpose’. In Johor, the *waqf* is defined as ‘any permanent gift of properties or part thereof by its owner for religious purposes in accordance with [Shari’ah]’.
the written law relating to land, vest in the [SIRC], for the purpose of the
wakaf... affecting the property.42

In four states,43 the SIRC has issued further rules and regulations for
the administration of waqfs, detailing more comprehensive definitions for
the wakaf, the waqif, the waqf assets, and the beneficiaries. The SIRC may
refer any disputed issue relating to the waqf to the state fatwa committee
(which issues Shari`a rulings) for resolution. In 2004, the Federal
Government of Malaysia established a Department of Awqaf,44Zakat, and
Hajj (JAWHAR) to provide oversight for the streamlining of waqf
management and administration for all states.45

3. India

The laws of waqf in India, Pakistan,46 and Bangladesh47 are strikingly
similar due to their shared history as part of undivided India until 1947.48
The first comprehensive waqf legislation in independent India was the
Wakf Act of 1954.49 Major changes to the law of waqf include the Wakf
Act of 199550 and the Wakf Reform Act of 2013.51 Waqf regulation in
India is housed under the Ministry of Minorities Affairs.52 In accordance

42. See Enactment No. 2 of 2001 Administration of Islamic Religious Affairs
(Terengganu) Enactment, Section 64. Vesting of wakaf, nazar and trust property in Majlis,
nsf/R31ccedd159543f48256f6001411e84/8aeea31561903c3e48257aa600128f6?OpenD
ocument.
43. Johor (Johor Wakaf Rules 1983), Selangor (Selangor Wakaf Enactment 1999),
Negeri Sembilan (Negeri Sembilan Wakaf Enactment 2005), and Melaka (Melaka Wakaf
Enactment 2005).
44. Awqaf is the Arabic plural of waqf.
45. See History of JAWHAR (May 2018), http://www.jawhar.gov.my/en/profil-
jabatan/mengenai-jawhar/sejarah-jawhar/ (last visited May 10, 2019).
46. In Pakistan, the Provisional Waqf Ordinances of 1979 in its four provinces
provide the regulatory framework for the waqf.
47. In Bangladesh the Waqf Ordinance of 1962 primarily governs the creation and
administration of a waqf.
48. See Mohammed Obaidullah, A Framework for Analysis of Islamic Endowment
(Waqf) Laws, 18 INT’L J. OF NOT-FOR-PROFIT LAW 1, 55 (2016), available at
http://www.icnl.org/research/journal/vol18iss1/v18n1%20revid%20Obaidullah.pdf.
51. The Wakf (Amendment) Act, 2013 §5(v)(i), available at
52. See Id. at 59.
with the Wakf Act of 1995, provincial or state governments establish State Waqf Boards (SWBs), which in turn constitute local committees to manage, regulate, and protect waqf properties. The Central Waqf Council, also established by the Wakf Act of 1995, is charged with advising the government on the workings of the SWBs and on the administration of waqfs. Indian law permits placing any type of property into waqf; “waqf” means the permanent dedication by any person, of any movable or immovable property for any purpose recognized by the Muslim law as pious, religious or charitable.”

Notably, the law remains silent on rules relating to investment of cash waqf and to corporate waqf. The only exception is a reference in the 1995 Act, which has gone unchanged in the 2013 version, defining the “mutawalli” as “any person, committee or corporation for the time being managing or administering any wakf or wakf property”.

II. THE CORPORATE WAQF IN PRACTICE

The corporate waqf remains under-studied as an organizational form, and no empirical data was available for analysis. As a starting point of examination, this section provides narrative accounts of three examples of corporate waqfs: Koç Holding and the Vehbi Koç Vakfı in Turkey, Johor Corporation and Waqaf An-Nur in Malaysia, and Hamdard Waqf Laboratories and Hamdard Foundation in India.

The purposes and objectives of the corporate waqfs may be interpreted from the founding charters, the mission statements, and the regulatory systems governing these institutions. Corporate waqfs generally take six main forms: business entities or corporations, banking and financial institutions, universities, foundations, cooperatives, and hospitals or clinics. For the purposes of this article, the types of organizations examined as “corporate waqf” are those whose asset base is comprised of shares in a company and who hold some managerial roles in that company.

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54. See Obaidullah at 63.
55. See The Wakf Act, 1995 §3(i).
A. Koç Holding and Vehbi Koç Vakfı

Koç Holding was founded in 1926 by Vehbi Koç. It has since grown to become Turkey’s largest industrial conglomerate. The company conducted an IPO in 1970 and now has 2.5 billion issued shares with a $7.15 billion market capitalization. The Koç family has maintained control of the company since its founding, and Ömer M. Koç of the third generation now chairs the Board of Directors. In 1969, Vehbi Koç endowed 10,000 shares of Koç Holding to establish the charitable foundation, Vehbi Koç Vakfı (Vehbi Koç Foundation). Members of the Koç family have since supplemented this initial endowment with donations of their own, with Vehbi Koç’s initial contribution now comprising a small fraction of the foundation’s total assets in book value. With 7.26% equity in Koç Holding, Vehbi Koç Vakfı has assets valued over $1.75 billion and controls equity valued at over $722 million in 2017.

In the Deed of Trust establishing Vehbi Koç Vakfı, Koç established a clear vision for the foundation’s perpetual existence that is tied to the continued success of his corporation:

Praise be to Almighty God, who with His Will enabled me to perform charitable works during my lifetime with pleasure, and granted me the means to continue (performing ongoing charity) after my death. In my belief that the Turkish Nation will continue to exist so long as the world endures. . . and my wish being to establish this foundation in perpetuity, I have based this endowment on a commercial entity that will be able to adopt itself to the requirements of the day rather than on properties dependent on economic conditions and natural disasters. I have chosen to set up this endowment with the shares of Koç Holding. These are made up of numerous commercial and industrial enterprises, and are therefore less subject to risks. This foundation that I have established by the grace and kindness of God, I entrust, first of all, to my heirs and to their succeeding generations, to my business colleagues and to the Government of the Republic of Turkey.

60. Also referred to as Vehbi Koç Foundation.
The Foundation has established Koc University, Koc School, Koc Elementary and Middle Schools, and built museums, research centers, community centers, and hospitals across the country. Article 9 of the Foundation’s Deed provides that a minimum of 80% of the waqf revenue is allocable to social and cultural services, while a maximum of 20% may go to administrative expenses, emergency cash and investment to purchase additional waqf properties. This stipulation accords with Turkey’s 1967 Law, which provides that waqfs can be exempted from taxation, pursuant to approval from the Council of Ministers, if 80% of their revenues are reserved for public purposes. Accordingly, the Koç Foundation was granted tax-exempt status in 1968.

The Vehbi Koç Foundation is governed by a Board of Directors, comprised of ten individuals, including the following: four members of the Koç family, the CEO of Koç Holding, two members who are “recognized experts in financial and economic matters” and who are elected by the Board, two university professors, and the General Manager or Assistant General Manager of İş Bankası, Turkey’s second largest bank. Vehbi Koç’s oldest daughter, Semahat Arsel, chairs the Foundation. Seven out of ten members of the Foundation’s Board of Directors also sit on Koç Holding’s Board of Directors, evidencing significant managerial overlap. The foundation also maintains a 5.73% voting stake and the terms of the Foundation’s Deed include stipulations for preventing this stake from dilution. While this voting stake falls far short of majority control, the Koç family has an 18.5% voting stake (23.46 equity ratio) and Temel Ticaret ve Yatırım A.Ş., which is majority owned by Koç family

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64. Çizakça (2011) at 107.
65. Law No. 903 (July 13, 1967).
members\textsuperscript{70}, has a 55.6% voting stake and a 43.65% equity ratio. Article 7 of the Deed requires that all excess cash accruing to the \textit{waqf} annually be converted into government bonds and kept as a reserve fund.\textsuperscript{71} The fund kicks in when Koç Holding exercises capital enhancement, enabling the foundation to maintain its share in the conglomerate. The Deed further provides that if this fund is not sufficient, the Board of Trustees may draw 20% of the waqf’s primary revenue.\textsuperscript{72}

B. Johor Corporation and Waqaf An-Nur

Johor Corporation (JCorp) was established as a public enterprise and a statutory body via Johor Enactment No. 4 1968.\textsuperscript{73} As a Malaysian state-owned conglomerate, JCorp is comprised of 332 companies conducting business in, among other sectors, palm oil, healthcare, food and restaurant services, port services, real estate, hospitality, and oil & gas.\textsuperscript{74} In 2005, JCorp established Kumpulan Waqaf An-Nur Berhad (Waqaf An-Nur)\textsuperscript{75} and transferred to it 75% equity in the company Tiram Travel Sdn Bhd.\textsuperscript{76} The objective of Waqaf An-Nur is “to manage the assets and shares of companies of the Corporation which have been endowed in accordance with the principles of [\textit{Shari'a}].”\textsuperscript{77} Its activities include involvement in education, healthcare, welfare, entrepreneurship, community development, and real estate management.\textsuperscript{78}

In 2006, JCorp transferred to Waqaf An-Nur shares in a number of companies: 12.35 million shares of Kulim Bhd, 18.6 million shares of KPJ

\textsuperscript{70} In addition to all four board members being members of the Koç family (Mehmet Ömer, İpek Kirac, Caroline Nicole Koç, Yıldırım Ali Koç), the Chairman and Vice Chairman of its Board of Directors are members of the Koç family (Semahat Arsel and Mustafa Rahmi Koç).

\textsuperscript{71} Çizakça (2011) at 107.

\textsuperscript{72} \textit{Id}.


\textsuperscript{74} \textit{Id}.

\textsuperscript{75} “Berhad” (Bhd) is a suffix used to refer to a Malaysian public limited company, which has a minimum number of two shareholders and no maximum number of shareholders.

\textsuperscript{76} Johor Corporation Annual Report 2011 at 130.


Healthcare Bhd, and 4.3 million shares of Johor Land Bhd. In 2009, Waqaf An-Nur signed a Memorandum of Understanding with the State Islamic Religious Council (SIRC) of Johor designating Waqaf An-Nur as the mutawalli of all JCorp waqf properties. Today, Waqaf An-Nur holds a minority ownership in three companies: Al-Salam REIT (9.98%), KPJ Healthcare (7.2%), and Al-'Aqar Healthcare REIT (2.52%). The corporate waqf has controlling ownership in four companies: Larkin Sentral Property Sdn Bhd (61%), Capaian Aspirasi Sdn Bhd (75%), Tiram Travel Sdn Bhd (75%), and Menaka Ansar (100%).

70% of the dividends accruing to Waqaf An-Nur are reinvested, while 25% go to charitable and social works, special projects, and human capital development, and 5% go to SIRC Johor. There is considerable overlap between JCorp’s management and Waqaf An-Nur’s management. Waqaf An-Nur’s ten-member board includes a Chairman who is also the President and Chief Executive of JCorp, three Directors from within JCorp, four independent directors, one director who is the CEO of the Johor State Religious Council, and one director who is the State Mufti of Johor.

C. Hamdard (Wakf) Laboratories and Hamdard National Foundation

Hamdard Laboratories was established by Hakim Hafiz Abdul

79. Id.
82. Id. at 129 (“[JCorp] is the majority shareholder of KPJ with 37% equity interest. The second and third largest shareholders are Employee Provident Fund (“EPF”) and Waqaf An-Nur Corporation Berhad, which own 11% and 7% of the equity shares of KPJ respectively. All other shareholders individually own less than 5% of the equity shares of KPJ. Historically, the other shareholders did not form a group to exercise their votes collectively.”).
83. Id. at 129 (“[JCorp] via KPJ, held 49% equity interest in Al-'Aqar.”).
84. Sdn Bhd companies are private limited companies with a minimum number of two shareholders and a maximum number of fifty shareholders.
86. Saad et al., Involvement of Corporate Entities in Waqaf Management: Experiences of Malaysia and Singapore, 3 ASIAN ECONOMIC AND FINANCIAL REVIEW 736, 741 (2013).

as one Director of HNF has noted, “[t]he only motivation family members have is to generate more funds and be more professional so that you can give money for charity.”

Members of the Steering Committee do not get a share of the profits. Rather, “[t]hey are salaried employees making less than some of the newly-appointed professionals.” Five of the Steering Committee members also serve as board members for HNF.

The organization of Hamdard’s operations in Pakistan and in Bangladesh largely parallel those of the Indian company. Hamdard (Wakf) Laboratories Pakistan was also reorganized as a waqf in 1953, and, in 1964, Hamdard Foundation was established in Pakistan as a *mutawalli*, charged with distributing the net profit from Hamdard Laboratories to the specified beneficiaries. Profits from Hamdard (Wakf) Laboratories Pakistan were to be used “for the promotion of health, education, and social uplift programmes according to [the founder’s] vision and mission - service to nation and humanity.” Hamdard (Wakf) Laboratories in Bangladesh is also organized as a waqf. Hamdard Foundation Bangladesh was established in 1989 and is funded by the earnings of Hamdard Laboratories (Waqf) Bangladesh (HLWB). Hamdard’s management is comprised of eight members: a Managing Director/Chief Mutawalli, a Deputy Managing Director/Mutawalli, a Director of Human Resource Development/Mutawalli, and five additional Directors.

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97. Id.
98. Id.
III. THE CORPORATE WAQF AND THE INDUSTRIAL FOUNDATION

As the preceding two sections have demonstrated, the corporate *waqf* has developed as an arrangement combining the perpetual charitable features of the traditional *waqf* with the organizational efficiency of the corporate form. A Western analogue to the corporate *waqf* is found in the industrial foundations and the foundation-owned firms of Northern Europe. At the heart of both the corporate *waqf* and the industrial foundation lies the aspiration to establish a perpetual legacy and to further charitable ends through the enduring success of a business organization. Both organizational forms incorporate, to varying degrees, management by a non-profit foundation and both are subject to government oversight. A main difference between the two organizational forms is that a foundation-owned firm is majority-owned by a charitable foundation, while the corporate *waqf* examples vary with respect to ownership-share held by a foundation.

This section begins with a brief account of industrial foundations and foundation-owned-firms, gesturing to the main conclusions of a robust body of scholarship that has examined the main features and successes of this organizational form. It goes on to highlight some major similarities and to identify notable differences between the foundation-owned firm and the corporate *waqf* to demonstrate an early foray into comparative analysis between these two forms.

A. The Industrial Foundation and the Foundation-Owned-Firm

The industrial foundation is a private nonprofit entity that holds a controlling equity interest in a conventional business company.\(^{105}\) In most cases, the business company’s founder creates the foundation and donates to it his/her equity interest in the business company. The foundation is prohibited from distributing profits to anyone exercising control over it, is considered to have perpetual life, and has no owners or members.\(^{106}\) Although the foundation’s board of directors is typically self-electing, some constraints may be imposed on the election process, or an outside entity may elect board members.\(^{107}\)

Markus Herman and Günter Franke,\(^ {108}\) among others, documented


\(^{107}\) Id. at 4.

the economic performance of foundation-owned firms in Germany, finding them to perform slightly better than companies organized with a more conventional ownership structure. Steen Thomsen and Henry Hansmann confirmed this finding in an examination of Danish, Finnish, Norwegian, and Swedish companies. Their work demonstrates that “foundation-owned companies have similar accounting profitability, take less risk, and grow more slowly than listed investor-owned companies.”

In a study examining the reputations of foundation-owned firms in Denmark, Christa Borsting and Steen Thomsen demonstrate that these firms appreciate better reputations and public perceptions of social responsibility in corporate image ratings than conventionally owned firms. They also found that foundation-owned companies are “more stable employers, pay their employees better, and keep them for longer” and that “foundation-ownership is associated with more responsible business behavior toward employees.”

B. Comparing the Organizational Architecture of the Corporate Waqf and the Industrial Foundation

The aspiration for immortality is common between the corporate waqf and the industrial foundation, and in both cases it is pursued through perpetual institutions. Borsting and Thomsen note that industrial foundations “are founded by entrepreneurs who wish to secure the future of the company, which they regard as their contribution to society.” This intent is similarly observed in the examples of Vehbi Koç Vakfı and Hamdard (Wakf) Laboratories. Vehbi Koç’s Deed of Trust establishing Vehbi Koç Vakfı memorializes this objective, “and my wish being to establish this foundation in perpetuity, I have based this endowment on a commercial entity that will be able to adopt itself to the requirements of the day.” The Abdul Majeed family similarly pursued to immortalize their company by organizing Hamdard Laboratories as a waqf, which, pursuant to Indian law requires “the permanent dedication by any person, of any movable or immovable property for any purpose recognized by the

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111. Id. at 317-318.
112. Borsting and Thomsen at 318.
113. Bequest from Vehbi Koç.
Muslim law as pious, religious or charitable.”

Johor presents a unique case in that its founder is a state entity.

Borsting and Thomsen also note that “founders establish the foundations and donate their company stock to them”, that “donation is irrevocable”, that the “foundations are governed by a foundation board whose fiduciary duty is to the foundation and the goals expressed in its charter”, that the “principal assets of the foundation are shares in the company from which it receives dividends”, and that the foundation-owned firms “combine a business goal (preservation and development of the company) with a philanthropy funded by dividends from the company.” All of these features are identical to the arrangements of Vehbi Koç Vakfı, Waqaf An-Nur, and Hamdard (Wakf) Laboratories. Furthermore, in the foundation-owned firms, the family is “active in about half of the foundation boards, but cannot by law constitute a majority of the board.”

No such restriction exists in the waqf law of Turkey, Malaysia, or India. In the case of Vehbi Koç Vakfı, four board members are from the Koç family. Waqaf An-Nur presents a complex case. Four board members are from JCorp, the founding entity, and their managerial power is delegated from the SIRC as the state-mandated trustee. However, Waqaf An-Nur holds majority ownership in three companies, but is not the founder for any of them and hence is not required to maintain ownership in perpetuity. In Hamdard (Wakf) Laboratories, five members of the steering committee are from the Abdul Majeed family.

Thomsen and Hansmann note that the European industrial foundations are typically supervised by governmental entities to ensure that they are run lawfully and in adherence with their charters, and that the supervising body has power to intervene in extreme cases if the foundation board breaches its fiduciary duties. The scope of supervision is limited to issues of legality such as compliance with the law or the terms of the charter, and supervisors generally cannot challenge business decisions, unless they involve unusually risky issues that put the foundation’s survival at risk. This function is similar to that observed in Malaysia with the relationship between SIRC and the waqfs, with the main difference being the requirement that the SIRC is the official trustee who may delegate managerial powers to another entity. Closer examples are the waqf regulatory regimes in Turkey and India, which also entail governmental supervision related to issues of legality and compliance with

115.  Borsting and Thomsen at 318.
116.  Id.
117.  Id.
the waqf charter and which may intervene in decision-making to prevent corruption.118

The terms of ownership present one main point of departure between the industrial foundations and the corporate waqfs. Borsting and Thomsen note that “[s]ome of the largest industrial foundations have listed their shares on the stock exchange and maintain control through dual class stock”, while the majority of the firms are privately owned.119 With respect to ownership share, some industrial foundations own all the stock in the company, while others own a controlling block with remaining minority shares either held privately or traded publicly. The industrial foundations sometimes retain a voting majority by holding shares with full voting rights while having the company issue limited voting shares to the public.120 Waqf law stipulates that endowed assets must be inalienable and that trustees retain managerial power but do not hold title to the endowed property.

Of the three examples of corporate waqf examined, the closest parallel to the industrial foundation is exhibited in the structure of Hamdard (Wakf) Laboratories, where the Steering Committee retains managerial control over the entire company. However, the Steering Committee is not a foundation and the Hamdard National Foundation only serves as a means to disburse earning and has no managerial powers. In the case of Vehbi Koç Vakfı, the foundation only owns a 7.26% equity stake and 5.73% voting stake. Though the Koç family retains majority control of Koç Holding, this is not done through the foundation. In the case of Waqaf An-Nur, the waqf holds an endowed minority equity share in JCorp but has no managerial rights, while it holds a majority stake in several subsidiary companies and a minority stake in others.

118. In Turkey, Law no. 5737 of 2008 details these supervisory functions in Article 32 (“[T]he statement of the foundation’s executive or board members, the activity reports of the previous year, the budget and the balance sheets, the financial statements and the financial statements of these tables published by appropriate means, the financial statements of the enterprises and associations and other information to be determined by regulation shall be presented for the first six months of each calendar year to the General Directorate.”). In India, The Wakf Act of 1995 details these supervisory functions in §33 (“With a view to examining whether, by reason of any failure or negligence on the part of a mutawalli in the performance of his executive or administrative duties, any loss or damage has been caused to any waqf or wakf property, the Chief Executive Officer with the prior approval of the Board, either himself or any other person authorized by him in writing in this behalf, may inspect all movable and immovable properties, which are waqf properties, and all records, correspondences, plans, accounts and other documents relating thereto.”)
119. Borsting and Thomsen at 318.
120. Id.
CONCLUSION

The corporate *waqf* provides a base for the development of industrial foundations and foundation-owned-firms in countries where a *waqf* system is legalized, including Turkey, Malaysia, and India, among others. The legal structure of companies that have already adopted the use of corporate *waqfs* demonstrates similarities to that of foundation-owned firms. Transferable lessons and best practices from the foundation-owned firms would benefit the corporate *waqf* and facilitate the achievement of charitable ends along with strong financial performance. Scholars point to the need for corporate *waqfs* to adopt a model governance framework. The successes of the industrial foundations and foundation-owned-firms offer a fitting reference for this objective.

This article has attempted to provide a first step towards developing a body of scholarship focused on understanding, theorizing, and devising best practices for the emerging corporate *waqf*. This work might proceed in a number of different directions. As a first step, a comprehensive survey of the law of *waqf*, alongside the laws promulgated specifically to manage the corporate *waqf* would provide an informative baseline for this effort. A second set of inquiries might focus on theorizing the corporate *waqf* and developing more precise definitional clarity for the organizational form. A third approach might compile quantitative data on the corporate *waqfs*, particularly from Turkey and Malaysia, where the use of corporate *waqfs* is the most prevalent. A vein of research with the greatest practical bearing would collect empirical data, such as attributes and objectives of their founders, the size of the companies, stakeholder relations, voting structure, financial performance, employee relationships, and reputational value, on existing corporate *waqfs* to identify patterns within the types of organizations that are likely to adopt a corporate *waqf* model. The practical project might draw on the legacy of the industrial foundations and the foundation-owned firms to inform the development of a model governance framework for the corporate *waqf*.

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