

Tata Trusts Opt for Endowment Funding Route

Keen to scale up charitable funding, depend less on Tata Sons dividend gains

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Mumbai: Tata Trusts are setting up endowment funding entities on the lines of the US-based Burroughs Wellcome Fund that can invest in alternative avenues, as they look to increase the amount spent on philanthropy. This is aimed at reducing dependence on the dividend income earned from Tata Sons and is the result of planning and debate within the trusts, endorsed by the best legal minds in the country, said top executives close to the development.

Toward this end, the Ratan Tata Endowment Foundation was set up in September 2022, as ET reported earlier this month. The fund will hire top investment advisers and talent to run the institution, sources said.

Ratan Tata, chairman of the Tata Trusts, did not reply to an email on the subject.

The Burroughs Wellcome Fund is an independent private foundation dedicated to advancing the medical sciences by supporting research and other scientific and educational acti-

Giving More

Ratan Tata Endowment
Foundation set up in Sept '22

Tata Trusts charitable funding currently limited to dividend income earned from Tata Sons: **₹267 cr** in FY22

Intact corpus ensures sustainability of fund and its causes

India Inc opting for ESG-compliant mode of ops in line with global norms



vities. The foundation uses the returns from investments to fund its charity work.

The Tata Trusts are keen to scale up charitable funding but are limited to the dividend income earned from Tata Sons, which also tries to cover any shortfall through its corporate social responsibility (CSR) funds. Tata Sons is the holding company of Tata group. The Tata Trusts earned ₹267 crore as dividend income from Tata Sons in FY22.

'Effective Vehicle for Non-profits'

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Tata Sons announced a net profit of ₹17,171 crore on total revenue of ₹24,132 crore in FY22 on a standalone basis and has been focused on allocating significant capital for the aggressive growth plans of some of the group's new businesses.

Endowment funds allocate the largest percentage of their portfolios to alternative asset classes such as hedge funds, private equity and venture capital, besides real assets like oil and other natural resources.

Endowment funds are not specifically regulated in India, said Anupam Shukla, partner at law firm Pioneer Legal.

"The inherent structure of the endowment funds and their governance models — professional governing board, transparent investment policies etc — help make them an effective vehicle for many non-profits to manage their funds," said Shukla. "If more and more corporates choose to structure their philanthropic ventures through such endowment funds, we may see the use of such entities further regulated."

Keeping the corpus intact ensures the longevity and sustainability of the fund, along with the causes it supports. This helps attract the talent and know-how required to truly make an impact, according to legal experts.

"We have several clients wanting to understand how to build ESG (environmental, social and governance) metrics in their organisation and align these with their CSR obligations," said Mallika Noorani, senior partner at law firm Parinam Law & Associates. "Having the fund set up outside of a corporate structure allows participation by third parties that are aligned with the visions and goals of the fund, which, in turn, allows for creating a sizeable investment corpus."

More corporates are employing ESG-compliant modes of operation in India, in line with prevalent global standards. CSR obligations under Indian law also require corporates to consider effective modes of socially-conscious contributions, said legal experts.

"A fund of this nature represents an investment vehicle holding an underlying investment pool, contributed by donors for charitable purposes," said Ketan Mukhija, partner at Link Legal.

"Subsequently, the fund distributes and utilises the proceeds, or income earned from the investment of such pooled donations, to finance charitable purposes.

Furthermore, it seeks to retain its 'private' character and avoid its administration being regulated by the central and state legislations, which govern a public trust."



NEW ENDOWMENT FUND

About 66% of the Tata group's equity capital is with the trusts owned by the Tata family and headed by chairman Ratan Tata. The Tata Trusts are currently registered in Mumbai, while the new endowment entities are being registered in Delhi.

The Ratan Tata Endowment Foundation is a Section 8 entity registered in Delhi. Section 8 of the Companies Act, 2013, covers charitable or non-profit purposes such as the promotion of commerce, art, science, sports, education, research, social welfare, religion, charity and protection of environment.

Any profit or other income goes toward promoting the objectives, and no dividend can be paid to members. A Section 8 company is registered under the ministry of corporate affairs, while societies and trusts come under the regulations of the state government.