

Penalties, Pending Litigation or Proceedings, Findings of Inspections or Investigations for Which Action May Have Been Taken Or Is In The Process Of Being Taken By Any Regulatory Authority

- ❑ All disclosures regarding penalties and action(s) taken against foreign Sponsor(s) may be limited to the jurisdiction of the country where the principal activities (in terms of income / revenue) of the Sponsor(s) are carried out or where the headquarters of the Sponsor(s) is situated. Further, only top 10 monetary penalties during the last three years shall be disclosed. - **NIL**
- ❑ In case of Indian Sponsor(s), details of all monetary penalties imposed and/ or action taken during the last three years or pending with any financial regulatory body or governmental authority, against Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company; for irregularities or for violations in the financial services sector, or for defaults with respect to shareholders or debenture holders and depositors, or for economic offences, or for violation of securities law. Details of settlement, if any, arrived at with the aforesaid authorities during the last three years shall also be disclosed – As provided below.
- ❑ Details of all enforcement actions taken by SEBI in the last three years and/ or pending with SEBI for the violation of SEBI Act, 1992 and Rules and Regulations framed there under including debarment and/ or suspension and/ or cancellation and/ or imposition of monetary penalty/adjudication/enquiry proceedings, if any, to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel (especially the fund managers) of the AMC and Trustee Company were/ are a party. The details of the violation shall also be disclosed: As provided below.
- In connection with the decision of Franklin Templeton Trustee Services Private Limited (Trustee) to wind up six fixed income schemes of Franklin Templeton Mutual Fund (Schemes) effective April 24, 2020, the Securities and Exchange Board of India (SEBI) initiated a forensic audit/inspection in May 2020 through an appointed outside auditor. The Trustee, as well as Franklin Templeton Asset Management (India) Private Limited (AMC), and certain AMC directors, officers, and employees received show cause notices in November 2020, alleging certain deficiencies and areas of non-compliance with respect to certain provisions of SEBI Act, 1992 and rules and regulations framed thereunder, including SEBI (Mutual Funds) Regulations, 1996. Following the respondents' responses to the show cause notices, on June 7, 2021, SEBI issued an order against the AMC and on June 14, 2021, a separate joint order against the Trustee and certain AMC officers and employees. In its orders, SEBI found violations of certain regulatory provisions, including similarity in investment strategies among the schemes, calculation of duration and valuation of portfolio securities, deficiencies in documentation relating to investment diligence and investment terms, and portfolio risk management. SEBI's orders include as applicable, aggregate monetary penalties of INR 20 crores; disgorgement of investment management and advisory fees, together with interest through the date of SEBI's order totaling INR 512.5 crores, with continuing accrual of 12% interest until paid; and a prohibition on the AMC from launching new fixed income schemes in India for a two-year period. The orders are available publicly on SEBI's website. The respondents filed appeals, as well as applications to stay enforcement of SEBI's orders pending resolution of the appeals, with the Securities Appellate Tribunal (SAT). In June 2021,

the SAT granted the stay requested by the AMC, subject to the AMC's deposit of INR 250.0 crore into an escrow account, which has been deposited. In July 2021, SEBI appealed the SAT's stay order to the honorable Supreme Court (SC). Based on the AMC's submission that it would not launch new fixed income schemes pending resolution of its appeal, the SC did not interfere with the SAT's stay order with respect to the monetary amounts and disposed of SEBI's appeal. In July 2021, the SAT also granted the Trustee and AMC employees' stay requests, subject to the deposit of an aggregate of INR 7.5 crore into an escrow account, which has been deposited. The appeals before the SAT remain pending.

In July 2023, the Honorable Supreme Court allowed AMC's request to modify the undertaking and permitted it to launch new debt schemes. Further, the SC vide order dated July 24, 2024, accepted the closure report filed by the liquidator and allowed transfer of unclaimed amounts totalling to Rs. 85.94 crores pertaining to aforesaid six fixed income schemes to Franklin Templeton Mutual Fund.

SEBI also issued orders against three AMC directors finding unfair trade practices based on their personal investment redemptions from the Schemes and imposed monetary penalties. In the case of one individual, SEBI also issued an order prohibiting him from accessing or being associated with the Indian securities market among other directions. The orders are available on the website of SEBI. Each of the directors filed appeals, as well as applications to stay enforcement of SEBI's order pending resolution of those appeals, before the SAT, and the SAT granted the stay requests conditioned on deposit of a portion of the ordered monetary amounts, which amounts have been deposited. The directors' appeals before the SAT remain pending.

- ❑ Any pending material civil or criminal litigation incidental to the business of the Mutual Fund to which the Sponsor(s) and/ or the AMC and/ or the Board of Trustees /Trustee Company and/ or any of the directors and/ or key personnel are a party should also be disclosed separately:

INTERNATIONAL OPERATIONS

Templeton International Inc. (TII) is involved from time to time in litigation relating to claims arising in the normal course of business. To the extent any such litigation is currently pending none is currently reasonably expected to have a material adverse effect on TII's financial condition or the ability of Franklin Templeton Asset Management (India) Private Limited to provide investment management services.

INDIAN OPERATIONS

In May and June 2020, Franklin Resources, Inc. and certain of its subsidiaries, including the AMC, Trustee, and TII (Sponsor), as well as related individuals (collectively, the Franklin Respondents), were named as respondents, along with the Securities and Exchange Board of India (SEBI) and other governmental entities, in multiple writ petition actions filed before the high courts of Gujarat, Delhi and Chennai, seeking, among other things, to challenge the Trustee's decision in April 2020 to wind up six fixed income mutual fund schemes (Schemes). The petitioners further alleged that the Franklin Respondents violated various regulations, mismanaged the Schemes, misrepresented or omitted certain information relating to the Schemes, and/or engaged in other alleged

misconduct. The petitioners requested a wide range of relief, including, among other items, an order quashing the winding up notices and blocking the unitholder votes, initiating investigations into the Franklin Respondents, and allowing the unitholder petitioners to redeem their investments with interest. One of the petitioners obtained an interim injunction order staying the operation and implementation of the unitholder voting process, which had been convened by the Trustee in order to obtain unitholder consent to the appointment of a liquidator. Following appeals to the SC, the petitions were transferred to the High Court of Karnataka for consolidated proceedings.

In October 2020, the High Court of Karnataka issued its judgment, in which it upheld the decision to wind up the Schemes and held that there was “nothing wrong with the decision-making process,” but determined that consent of the unitholders was required to implement the decision. Certain Franklin Respondents (the Trustee and AMC) and other parties filed cross-appeals to the SC. In December 2020, with the approval of the SC, and without prejudice to its arguments on appeal that unitholder approval of the wind-up decision is not required, the Trustee proceeded with unitholders’ votes for each of the six Schemes, which concluded on December 29, 2020, and a substantial majority (above 96%) of the voting unitholders of each of the Schemes voted in favor of the winding-up of the Schemes. Meanwhile, the SC allowed the Trustee to distribute the cash available in the schemes (INR 9122 crores as of January 15, 2021) to the respective unitholders proportionately and appointed SBI Funds Management Pvt. Ltd., (SBIFM) a public sector asset manager, to undertake the distribution. In February 2021, the SC issued a decision confirming the results of the unitholder votes and appointed SBIFM to serve as the liquidator to monetize the remaining assets of the Schemes and distribute the same to unitholders.

Further, vide order dated July 14, 2021, the SC interpreted regulation 18(15)(c) and regulation 39 to 42 harmoniously and held that consent of the unitholders, as envisaged under clause (c) to regulation 18(15), is not required before publication of notices under regulation 39(3) (to suspend business including redemption) and such consent should be sought post publication of the notice by the Trustees. The SC also observed that the trustees had complied with the requirement of publication of the notice and accordingly the cease and freeze effect of Regulation 40 (effect of winding-up) had become effective on the date of publication of the notice. The appeals before the SC remain pending. As of September 30, 2025, the schemes have distributed an amount of INR 27,548 crores to unitholders in the aggregate, which is 109.25% of the AUM as of April 23, 2020. The matter is sub-judice.

- ❑ Any deficiency in the systems and operations of the Sponsor(s) and/ or the AMC and/ or the Board of Trustees/Trustee Company which SEBI has specifically advised to be disclosed in the SID, or which has been notified by any other regulatory agency, shall be disclosed: **Nil**

The above information has been disclosed in good faith as per the information available to the AMC.

Dated: October 24, 2025