

Policy on Internal Capital Adequacy Assessment Process (ICAAP)

MINDA INVESTMENTS LIMITED

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1. Introduction

1.1 Preamble Minda Investments Limited (MIL) (the "Company"), an unlisted Non-Banking Financial Company - Core Investment Company (NBFC-CIC) registered with the Reserve Bank of India (RBI), is committed to maintaining robust capital levels commensurate with its risk profile and business strategy. The Internal Capital Adequacy Assessment Process (ICAAP) is a critical framework that enables the Company to proactively identify, measure, assess, and manage all material risks and to determine the amount of capital required to cover these risks, thereby ensuring its financial soundness and long-term sustainability. This Policy outlines the Company's approach to ICAAP, aligning with regulatory expectations and sound risk management practices.

1.2 Objectives The primary objectives of this ICAAP Policy are to:

- To assess and maintains adequate capital to support all material risks faced in its business activities and strategic objectives.
- To Facilitate robust capital planning, forecasting, and allocation processes.
- To promote accountability and transparency in the decision-making process related to capital management and risk mitigation
- To Integrate risk management and capital planning with the Company's overall strategic planning and decision-making.
- To Satisfy the requirements of the Reserve Bank of India's (RBI) regulatory framework for NBFCs.
- To Enhance the Company's resilience to potential adverse events through effective stress testing and contingency planning.
- To strengthen the company's position to respond to increasing focus on Capital and Risk management by the Regulators, Investors, Creditors, Rating agencies, Analysts and other stakeholders.

1.3 Need for an ICAAP Policy

The ICAAP Policy is a critical component of the risk management framework for NBFCs mandated by the RBI under **Prudential Norms on Capital Adequacy directions 2025**. The primary objective of the ICAAP Policy is to ensure that the Company maintains sufficient capital to support its operations and absorb potential losses, thereby promoting financial stability and resilience in its overall functioning.

The need for an ICAAP Policy arises from several key factors:

1. Regulatory Compliance: The RBI requires all NBFCs to implement an ICAAP Policy in order to comply with the **Prudential Norms on Capital Adequacy directions 2025**. This ICAAP Policy ensures adherence to the regulatory expectations, fostering a robust risk management culture within the organization.
2. Risk Management: An effective ICAAP Policy helps the Company identify, assess and manage various types of risks, including without limitation: (i) credit risk; (ii) market risk; (iii)

operational risk; and (iv) liquidity risk. By comprehensively evaluating these risks, the Company can ensure they hold adequate capital buffers to mitigate potential adverse impacts during the course of its business operations.

3. Capital Adequacy: The ICAAP Policy is also designed to assess the capital adequacy of the Company in relation to its overall risk profile and business strategy. This process ensures that the Company maintains a sound capital base to support its growth and absorb any unexpected losses that arise during the course of its operations, thereby safeguarding the various stakeholders' interests.

4. Strategic Planning: Incorporating ICAAP into the strategic planning process enables the Company to align their capital management process with their long-term business objectives. This alignment facilitates sustainable growth and assists the Company and its personnel in making informed decisions about capital allocation, investment opportunities and risk-taking activities.

1.4 Scope of ICAAP

The Internal Capital Adequacy Assessment Process (ICAAP) Policy is an integral part of the overall risk management framework of Non-Banking Financial Companies (NBFCs). This section outlines the comprehensive scope of the ICAAP Policy, detailing the various dimensions and activities it encompasses to ensure a robust capital adequacy and risk management system. The scope of the ICAAP Policy includes:

- 1) Risk Identification and Assessment
- 2) Capital Adequacy Measurement
- 3) Capital Planning
- 4) Governance and Oversight
- 5) Regulatory Compliance

By encompassing these key elements, the ICAAP Policy provides a comprehensive framework for assessing and managing the capital adequacy of the company. This ensures that the company is well-equipped to withstand potential risks and continue its operations sustainably and profitably.

1.5 Applicability This Policy applies to all its business activities, operations, and risks. It is relevant to the Board of Directors, its committees, senior management, and all functions involved in risk management, finance, business planning, and internal audit.

2. Regulatory Framework

This Policy is formulated and implemented in compliance with, but not limited to, the following key regulatory provisions and guidelines issued by the Reserve Bank of India (RBI) and other relevant facts:

- **RBI Master Direction – Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Directions, 2025**

- **Basel II/Pillar 2 Framework:** The principles underlying Pillar 2 of the Basel II framework, which focuses on the Internal Capital Adequacy Assessment Process, are adopted as a best practice framework for internal capital management.
- **Companies Act, 2013:** Pertaining to general corporate governance, board responsibilities, financial reporting, and duties of directors in maintaining sound financial health.
- Other relevant circulars, guidelines, and notifications issued by the RBI from time to time.

3. Governance Structure for ICAAP

Effective ICAAP is an integral and embedded component of the Company's overall corporate governance, risk management framework, and strategic decision-making processes. A well-defined governance structure with clear roles, responsibilities, and accountability at all levels is fundamental for the successful design, implementation, and continuous operation of the ICAAP. This ensures that the ICAAP is not merely a compliance exercise but a strategic tool for proactive capital management and risk oversight.

3.1 Board of Directors the Board has the overall responsibility for design, oversight and implementation of the ICAAP Policy and process. The key responsibilities of the Board in relation to the ICAAP Policy include:

- i. reviewing and approving ICAAP Policy on at least an annual basis;
- ii. ensuring that the ICAAP Policy and the objectives contained herein are integrated with the Company's strategic planning processes, thereby ensuring alignment between capital planning, risk management and the business objectives of the Company;
- iii. ensuring that the Company maintains adequate capital levels to cover all identified risks, beyond the minimum regulatory requirements prescribed by the RBI;
- iv. establishing a robust governance framework for the ICAAP process, thereby ensuring clear roles and responsibilities at all levels of the organization;
- v. regularly monitoring the implementation and effectiveness of the ICAAP Policy through comprehensive reports from senior management and undertaking independent reviews of the same;
- vi. ensuring compliance with all applicable regulatory requirements related to capital adequacy and risk management as prescribed by the RBI, including without limitation, the Scale Based Directions;
- vii. delegating suitable powers to the Risk Management Committee ("RMC") for operational oversight of the ICAAP Policy, as required; and
- viii. approving the capital plan that contains the details of the Company's capital needs, its anticipated capital utilization, its desired level of capital, any limits related to capital erosion and a general contingency plan for dealing with divergences/contingent events and unexpected events.

3.2 Risk Management Committee (RMC)

The RMC of the Board is accountable for ensuring and maintaining an entity-wide risk oversight. The RMC will act as a steering committee for the purposes of this ICAAP Policy. The key responsibilities of the RMC include:

- i. identification and quantification of the various risks identified by the Company, to ensure compliance with the Scale Based Directions;
- ii. overseeing the matters relating to execution of the policy and providing guidance to the Board and other sub risk management committees on the matters relating to the implementation of this ICAAP Policy;

and The RMC shall also review the ICAAP Policy

3.3 Audit Committee of the Board ("AC")

The ICAAP shall be subject to regular and independent review through an internal review to ensure that the ICAAP Policy is comprehensive and proportionate to the nature, scope, scale, size and level of complexity of the Company's activities. In the internal or of the ICAAP Policy beyond an internal audit, it shall be done by the NBFC as per RBI guidelines/notifications/instructions. After the conclusion of the audit, the key findings from the internal audit of the ICAAP Policy shall be presented to the AC of the Board.

The key responsibilities of the AC include:

- i. to review the audit findings as presented/identified in the internal/external audit with respect to ICAAP Policy and its compliance by the Company; and
- ii. to review the issues related to non-compliance of the ICAAP Policy maintained by the Company as per RBI guidelines, including the Scale Based Directions and the Company's internal policy and procedures.

3.4. Asset Liability Committee ("ALC")

The ALC shall bear the primary responsibility for management of the liquidity, interest rate and funding risks associated with the business of the Company. It should also monitor and supervise matters relating to market risk and asset liability mismatch for the purposes of the ICAAP Policy.

3.5 Group Risk Management Committee

The Group Risk Management Committee (GRMC) will play a key role in the implementation of ICAAP. In the context of ICAAP, the GRMC shall undertake the following responsibilities, emphasizing the committee's role in the process:

- Review and approve risk management framework and related policies to ensure that all material risks are appropriately identified, measured, monitored and controlled and are commensurate with the Company's size, nature and complexities;

- Ensure that Company maintains adequate capital commensurate with its risk profile; • Set the risk limits by assessing Company's risk and risk-bearing capacity;
- Identify and assess all material risks, including Stress Testing in coordination with various departments;
- Devise appropriate methodologies for measurement of risks considering the nature, size, and complexity of the Company so as to measure the risk capital;
- Ensure that detailed documentation of methodologies, assumptions, procedures, and minutes of meeting etc. is available for all the processes of ICAAP and is communicated to the relevant stakeholders and appropriate authority and responsibilities have been allocated;
- Review the level and trend of material risks on an ongoing basis and their effect on capital levels. Allocation of capital based on the business plan and risk profile. • Supervise and review of implementation of ICAAP including ICAAP Policy and ICAAP Document.

3.6 Senior Management led by the Whole-time director, is accountable for the effective design, robust implementation, and ongoing execution of the ICAAP framework and processes. Their responsibilities include:

- Framework Development and Maintenance:
 - o Developing, implementing and maintaining the ICAAP framework, including detailed policies, procedures, methodologies, and internal controls, ensuring consistency and adherence to Board-approved principles.
- Resource Management:
 - o Ensuring that adequate and competent human resources, along with necessary technological infrastructure and financial allocations, are available for all ICAAP-related activities.
- Integration and Operationalization:
 - o Driving the integration of ICAAP into day-to-day strategic planning, business development initiatives, product pricing, and overall risk management decisions, ensuring that capital considerations influence operational activities.
- Capital Plan Execution:
 - o Implementing and continuously monitoring the approved capital plan, ensuring that capital levels are maintained within the approved targets and buffers.
- Reporting and Communication:

- Ensuring the accuracy, timeliness, and clarity of all ICAAP results and reports submitted to the RMC and the Board, providing actionable insights for decision-making.
- Communicating the importance of ICAAP and capital management throughout the organization.

3.7 Finance/Treasury Function the Finance/Treasury Function is crucial for the financial aspects of ICAAP, capital planning, and liquidity management. Its responsibilities include:

- Capital Structure Management:
 - Actively managing the Company's capital structure, including regulatory capital, and ensuring optimal funding strategies.
- Financial Forecasting and Projections:
 - Providing accurate and timely financial data, balance sheet projections, profit and loss forecasts, and cash flow statements, which form critical inputs for the ICAAP and capital planning.
 - Forecasting capital needs based on strategic business plans, projected growth, and the outputs of the ICAAP.
- Capital Optimization and Raising:
 - Developing and implementing strategies for capital optimization, including evaluating options for capital raising (e.g., equity, debt) to ensure the Company meets its current and future capital requirements.
- Liquidity Integration:
 - Collaborating with the Risk Management Function to integrate liquidity risk assessment into the overall ICAAP, particularly regarding the capital impact of liquidity stress scenarios.

4. Principles of ICAAP

The Internal Capital Adequacy Assessment Process (ICAAP) at MIVL is meticulously designed and rigorously implemented, adhering to fundamental principles that ensure its effectiveness as a core component of the Company's risk and capital management framework. These principles are aligned with Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Directions, 2025, and encapsulate global best practices for robust capital adequacy assessment.

The ICAAP process is guided by the following overarching principles:

- **Comprehensiveness (Inclusion of All Material Risks):** The ICAAP comprehensively identifies, assesses, and quantifies all material risks to which the Company is exposed. This extends beyond the risks explicitly covered by Pillar 1 regulatory capital calculations (e.g., credit risk, market risk, operational risk) to include significant Pillar 2 risks such as:

- **Strategic Risk:** Risk of loss arising from poor business strategies, inadequate resource allocation, or failure to adapt to changes in the business environment.
- **Reputational Risk:** Risk of damage to the Company's reputation, potentially leading to a loss of business, reduced access to funding, or legal action.
- **Concentration Risk:** Risk arising from concentrated exposures to a single counterparty, group of connected counterparties, sector, industry, or geographical area.
- **Liquidity Risk (Capital Impact):** While primarily managed through separate liquidity frameworks, the ICAAP assesses the potential capital impact of severe liquidity stress scenarios that could necessitate significant capital injections or asset sales at distressed prices.
- **Interest Rate Risk in the Banking Book (IRRBB):** Risk to the Company's earnings or economic value arising from adverse movements in interest rates that affect its non-trading book exposures.
- **Contagion Risk (Group Entities):** For Core Investment Companies (CICs), this includes assessing the potential capital impact arising from stress or default within group entities.
- **Compliance Risk:** Risk of legal or regulatory sanctions, material financial loss, or loss of reputation arising from failure to comply with laws, regulations, rules, prescribed practices, or ethical standards.
- **Cybersecurity Risk (Capital Impact):** The potential capital impact arising from significant cyber incidents, data breaches, or technology failures.
- **Climate Risk (Emerging):** Assessing the financial and capital implications of both physical risks (e.g., extreme weather events impacting assets or borrowers) and transition risks (e.g., policy changes, technological advancements impacting business models due to climate change). This ensures that the internal capital assessment provides a holistic view of the capital required to cover all material risks.
- **Proportionality (Fit for Purpose):** The sophistication, granularity, and complexity of the ICAAP framework, including its methodologies, processes, and systems, are proportionate to MIVL size, business complexity, scale of operations, nature and extent of its risk profile, and its systemic importance. This principle ensures that the ICAAP is practical and effective without imposing undue burdens, while still meeting regulatory expectations for robust capital management.
- **Forward-Looking (Prospective Assessment):** The ICAAP is fundamentally a forward-looking process. It assesses the Company's future capital needs by considering:
 - Strategic plans and projected business growth over a defined planning horizon (typically 3-5 years).
 - Anticipated changes in the internal and external risk environment, including macroeconomic forecasts, industry trends, and evolving regulatory landscapes.
 - The results of rigorous stress testing and scenario analysis that model the impact of plausible severe but adverse events on the Company's financial performance and

capital position. This helps in identifying potential capital shortfalls before they materialize.

- **Integration (Embedded in Decision-Making):** ICAAP is not a standalone exercise but is deeply integrated into the Company's overall risk management framework, strategic planning, and day-to-day business decisions. This integration ensures that:
 - Capital considerations are central to business strategy formulation, target setting, product development, and resource allocation.
 - Risk management outcomes directly inform capital planning and capital allocation decisions.
 - The ICAAP influences the Company's risk appetite framework, internal limits, and overall business strategy.
- **Sound Methodology (Robustness and Reliability):** The methodologies, models, and assumptions used for risk identification, measurement, aggregation, capital quantification, and stress testing are sound, well-validated, and consistently applied. Key aspects include:
 - **Documentation:** All methodologies, models, data inputs, and assumptions are thoroughly documented, transparent, and auditable.
 - **Validation:** Models are independently validated and reviewed regularly to ensure their accuracy, predictive power, and continued relevance.
 - **Data Quality:** Emphasis is placed on the quality, completeness, and integrity of data used in the ICAAP process.
 - **Regular Review:** Methodologies and assumptions are subject to regular review and refinement to incorporate new risks, updated market conditions, and evolving regulatory guidance.
- **Independence and Oversight (Challenge and Assurance):** The ICAAP process benefits from strong independent challenge and robust oversight to ensure its integrity and objectivity. This includes:
 - **Senior Management:** Active involvement and challenge from senior management in the development and execution of the ICAAP.
 - **Risk Management Committee (RMC):** The RMC provides critical oversight, reviews methodologies, and challenges results before recommending them to the Board.
 - **Board of Directors:** The Board provides ultimate oversight, approves the ICAAP policy and capital plan, and challenges the key assumptions and outcomes.
 - **Internal Audit:** The Internal Audit Function provides independent assurance on the effectiveness, robustness, and compliance of the ICAAP framework, methodologies, and controls, reporting its findings to the Audit Committee of the Board. This multi-layered oversight ensures that the ICAAP is not merely a compliance exercise but a reliable tool for capital management.

5. Key Elements of the ICAAP Framework

The Company's Internal Capital Adequacy Assessment Process (ICAAP) framework is a comprehensive and dynamic system designed to identify, measure, monitor, and manage all material risks and determine the appropriate level of internal capital required to support its business activities. This framework aligns with the Reserve Bank of India (RBI) Master Direction – Core Investment Companies (Reserve Bank) Directions, 2025, and as a strong best practice for all regulated NBFCs, including Core Investment Companies (CICs)).

The framework comprises the following interconnected key elements:

5.1 Risk Identification and Assessment (Pillar II Risks) The Company maintains a robust process for the systematic identification and comprehensive assessment of all material risks that could individually or collectively impact its capital adequacy. These "Pillar II" risks, not fully captured by Pillar 1 regulatory capital calculations, are critical to ensuring a holistic view of the Company's risk profile. For a Core Investment Company (CIC) like MIVL, the emphasis is particularly on risks arising from its investment portfolio and group exposures. These risks include, but are not limited to:

- **5.1.1 Credit Risk:** The risk of loss arising from a borrower's, issuer's, or counterparty's failure to meet its financial obligations as per agreed terms, or from a deterioration in their creditworthiness.
 - **For a CIC:** This predominantly relates to the creditworthiness and financial health of its investee (group) companies, particularly those to whom direct or indirect financial support (e.g., loans, guarantees, capital infusions) is provided. This assessment includes evaluating the quality of their asset portfolios, leverage, profitability, and governance.
 - **Expected Credit Losses (ECL):** While ECL provisioning is an accounting standard (Ind AS 109), the underlying credit risk assessment and its impact on the Company's financial statements and thus capital position, are integrated into the ICAAP.
- **5.1.2 Market Risk:** The risk of losses in on-balance sheet and off-balance sheet positions arising from adverse movements in market prices or volatility. For a CIC, given its investment-centric nature, this risk is paramount:
 - **Equity Price Risk:** The significant risk due to adverse movements in the market value of equity investments held in group companies or other entities. This requires robust valuation methodologies (aligned with Ind AS and fair value norms as mentioned in "Investment Policy.docx").
 - **Currency Risk:** The risk of losses arising from adverse movements in exchange rates, particularly if the Company has unhedged foreign currency assets, liabilities, or exposures.
 - **Other Price Risks:** Includes risks associated with movements in commodity prices (if any direct exposure), or other financial instruments.

- **5.1.3 Operational Risk:** The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This is a broad category encompassing:
 - **Fraud Risk:** Both internal (e.g., employee misconduct, embezzlement) and external fraud (e.g., cyber fraud, phishing attacks).
 - **IT System Failures and Cybersecurity Breaches:** Given the increasing reliance on technology, this risk covers system outages, data corruption, ransomware attacks, and unauthorized access, requiring robust IT and Cybersecurity Policies.
 - **Business Process Errors:** Errors or failures in day-to-day operations, data entry, transaction processing, or reporting.
 - **Legal and Compliance Risks:** The risk of legal or regulatory sanctions, financial loss, or damage to reputation due to failure to comply with laws, regulations (including the RBI Master Directions), internal policies. This includes potential fines, penalties, or litigation costs.
 - **Human Capital Risk:** Risk associated with inadequate human resources, loss of key personnel, lack of necessary skills, or employee misconduct.
 - **Vendor and Outsourcing Risk:** Risk arising from reliance on third-party service providers, including service disruption, data breaches by vendors, or non-compliance with terms.
- **5.1.4 Liquidity Risk (Capital Implications):** While comprehensive liquidity risk management is typically covered by a separate *Liquidity Risk Management Policy* (as per regulatory expectation), the ICAAP specifically assesses the *capital implications* of severe liquidity stress scenarios. This evaluates how a liquidity crisis (e.g., inability to meet obligations, forced asset sales at distressed prices) could impact the Company's capital position, potentially requiring additional capital to absorb losses.
- **5.1.5 Strategic Risk:** The risk of loss arising from poor business decisions, improper implementation of decisions, or a lack of responsiveness and adaptability to significant changes in the business environment, market dynamics, or competitive landscape. For a CIC, this includes risks related to its long-term investment strategy and its ability to achieve its core objectives.
- **5.1.6 Reputation Risk:** The risk of damage to the Company's standing or image due to negative public perception.
- **5.1.7 Group/Concentration Risk (Specific to CICs):** For a CIC, this is a distinct and critical risk category, explicitly emphasized by the RBI.
- **5.1.8 Other Emerging Risks:** The Company maintains a continuous monitoring mechanism to identify, assess, and integrate new and emerging risks that could impact its capital adequacy. This proactive approach includes, but is not limited to:
 - **Climate-Related Financial Risks (ESG Risks):** Both physical risks (e.g., impact of extreme weather on assets or borrowers) and transition risks (e.g., policy changes,

technological shifts impacting business models due to climate change). This aligns with the broader push by the RBI and global regulators towards integrating ESG factors into risk management.

- **Geopolitical Risks:** The potential impact of geopolitical instability, trade wars, or international conflicts on economic conditions and financial markets.
- **Pandemic/Health Crises:** The financial and operational implications of widespread health crises.

5.2 Capital Assessment Methodology

The Company quantifies the capital required for each identified material risk. The methodologies employed are rigorous, transparent, and proportionate to the complexity and materiality of the specific risk. These may include a combination of:

- **Scenario Analysis:** Assessing the potential capital impact under various hypothetical adverse scenarios, both quantitative (e.g., interest rate shocks) and qualitative (e.g., loss of a key business segment).
- **Sensitivity Analysis:** Evaluating the impact on capital from changes in key risk parameters (e.g., a specific percentage increase in non-performing assets, a decline in equity valuations).
- **Simplified Models / Expert Judgment:** For risks that are inherently difficult to quantify statistically or where data is scarce, qualitative assessments, expert judgment, and internal risk rating matrices are employed to determine appropriate capital add-ons.
- **Historical Loss Data Analysis:** Analyzing past loss experiences (internal and, where appropriate, external) to project future capital needs for certain quantifiable risks (e.g., operational losses, credit losses).

The overall **Internal Capital** (often referred to as Economic Capital) is derived by aggregating the capital required for individual risks. The Company applies appropriate methodologies for aggregation, including consideration of diversification benefits, but only where such benefits are statistically justifiable, robustly modeled, and demonstrably stable across various stress conditions. The objective is to determine a comprehensive capital buffer beyond Pillar 1 requirements to absorb unexpected losses from all material risks.

5.3 Stress Testing and Scenario Analysis the Company conducts regular and comprehensive stress tests and scenario analyses to assess the potential impact of severe but plausible adverse events on its capital adequacy. This is a crucial forward-looking element of ICAAP:

- **Scenarios:** Stress testing scenarios are diverse, challenging, and tailored to MIVL's specific business model and risk profile, including but not limited to:
 - Significant downturns in Indian and global equity markets, severely affecting investment valuations of group companies and other portfolio investments.
 - Credit default or significant deterioration in the financial health of one or more key investee group companies, leading to large write-downs or the need for capital support.

- Sharp increases in interest rates impacting funding costs, debt portfolio valuations, and the solvency of highly leveraged group entities.
 - Major operational disruptions, such as a large-scale cyber-attack leading to data loss and reputational damage, or system failures affecting critical operations.
 - Severe liquidity crunch in the financial markets or within the group, making it difficult to raise funding or forcing distressed asset sales.
 - Contagion effect from distress in a large, interconnected group entity, leading to cross-defaults or reputational spillover.
 - Adverse macroeconomic downturns in India (e.g., significant GDP contraction, high inflation, increased unemployment) impacting the overall financial health of investee companies and the market value of assets.
 - Specific sectoral stress scenarios relevant to MIVL's significant exposures.
- **Frequency:** Stress tests are conducted at least annually, or more frequently if there are significant changes in the economic environment, regulatory landscape, business strategy, or the Company's overall risk profile.
 - **Integration:** The results of stress testing directly feed into the capital planning process, informing the setting of internal capital targets, risk appetite limits, and the development of robust capital contingency plans. This ensures that the Company is adequately prepared for potential future shocks.

5.4 Capital Adequacy Targets and Buffers

- Based on the comprehensive ICAAP results, the Board of Directors, in conjunction with the Company's defined risk appetite and strategic plans, sets **internal capital targets**. These targets are consistently maintained above the minimum Pillar 1 regulatory capital requirements, acknowledging the capital needed for Pillar 2 risks.
- Appropriate **capital buffers** are maintained over and above these internal targets to absorb unexpected losses arising from Pillar 2 risks, market volatility, and the outcomes of stress testing. The size and composition of these buffers are dynamically determined by factors such as:
 - The Company's approved risk appetite and risk tolerance levels.
 - The outcomes of internal risk assessments, including the severity of potential losses identified through stress tests.
 - Future business plans, projected growth, and anticipated capital deployment needs.
 - The prevailing macroeconomic environment, industry specific risks, and evolving regulatory expectations from the RBI.
 - The need for flexibility to navigate unforeseen events without breaching regulatory or internal capital thresholds.

5.5 Capital Planning and Allocation

- The ICAAP results are a fundamental input to a comprehensive **multi-year capital plan** (typically covering a 3 to 5-year horizon). This plan forecasts the Company's future capital needs, considering both organic growth and potential inorganic opportunities.
- The capital plan explicitly outlines strategies for **capital generation** (e.g., retained earnings, fresh capital infusion, debt issuance) and **capital deployment** to support business growth, investments in group entities, and risk-taking activities, all while ensuring continuous adherence to the established capital adequacy targets.
- Furthermore, the ICAAP informs the process of **capital allocation** to various business lines, investment segments, and risk categories. This ensures that capital is deployed efficiently to maximize risk-adjusted returns, promoting a culture where capital is viewed as a scarce resource. This approach helps in optimizing the Company's overall financial performance while maintaining a sound capital base.

6. Documentation and Reporting

6.1 Internal Documentation Comprehensive documentation of the entire ICAAP process is maintained, including:

- This ICAAP Policy.
- Detailed methodologies and assumptions used for risk identification, measurement, and capital assessment.
- Stress testing scenarios, parameters, and results.
- Capital plans, projections, and contingency plans.
- Minutes of Board/RMC meetings where ICAAP findings and capital plans are discussed and approved.
- Validation reports of ICAAP models (if applicable).

6.2 Internal Reporting

- The Risk Management Function prepares detailed ICAAP reports at least annually for the RMC and the Board of Directors.
- These reports include:
 - A summary of the Company's risk profile.
 - Assessment of capital adequacy against internal targets and regulatory minimums.
 - Results of stress testing and their implications for capital.
 - Analysis of systemic issues and recommendations for risk mitigation or capital management.
 - The proposed capital plan for the upcoming period.

7. Review and Validation of ICAAP

7.1 Annual Review This ICAAP Policy and the underlying ICAAP framework, methodologies, and assumptions shall be reviewed at least **annually** by the Risk Management Committee and approved by the Board of Directors. The review will assess:

- The continued relevance and adequacy of the Policy.
- The effectiveness of the ICAAP process in identifying and measuring risks.
- The appropriateness of capital targets and buffers.
- The validity of stress testing scenarios and assumptions.
- Alignment with regulatory changes and industry best practices.

7.2 Internal Audit the Company's Internal Audit function shall periodically (e.g., at least annually) conduct an independent review of the ICAAP process. This audit will assess:

- Review ICAAP Document and ensure that they are compliant with ICAAP policy for MIVL. Internal audit process should also encompass the review of risk assessments carried out for preparation of ICAAP Document.
- Ensure existence of appropriate and effective internal control structures.
- The integrity and reliability of data used in ICAAP.
- The robustness and consistency of methodologies.
- Compliance with the ICAAP Policy and regulatory guidelines.
- The effectiveness of internal controls related to capital management.
- The appropriateness of the governance framework for ICAAP.

8. Disclosure and Transparency

This includes:

- Making appropriate disclosures in its annual financial statements and annual report as mandated by RBI regulations, Indian Accounting Standards (IND-AS), and the Companies Act, 2013.
- Providing relevant information to the RBI during supervisory engagements.

9. Policy Ownership and Amendments

- The Board of Directors has the overall responsibility for design, oversight and implementation of the ICAAP.

- The Policy shall be reviewed at least **annually**, or on a shorter frequency on the occurrence of some material changes / developments warranting review of the policy
- Any amendments or revisions to this Policy must be recommended by the Group Risk Management Committee and approved by the **Board of Directors**.
- All approved changes shall be communicated to relevant stakeholders within the Company.

MINDA INVESTMENTS LIMITED