Risk Management Committee: Key Insights from Mehta & Mehta Webinar

The Risk Management Committee (RMC) has emerged as a cornerstone of modern corporate governance, entrusted with identifying, assessing, and mitigating risks that may threaten an organisation's sustainability, reputation, and long-term value creation. In a recent knowledge sharing webinar organised by Mehta & Mehta, senior professionals and panellists deliberated on the statutory framework, evolving scope, and practical challenges faced by Risk Management Committees in today's dynamic business and regulatory environment.

With businesses exposed to complex financial, operational, cyber, regulatory, ESG, and geopolitical risks, the role of the RMC has expanded significantly from a compliance-driven function to a strategic governance mechanism aligned with enterprise-wide risk management.

Evolution of the Risk Management Committee in India

Historically, risk oversight in Indian companies was largely embedded within general Board deliberations, without a dedicated committee structure. However, corporate failures, market volatility, global financial crises, and heightened regulatory expectations have underscored the need for structured and specialised risk governance.

The introduction of SEBI (Listing Obligations and Disclosure Requirements) Regulations, coupled with enhanced disclosure requirements and global best practices, has formalised the Risk Management Committee as a key Board-level committee. Today, the RMC plays a proactive role in anticipating risks, ensuring business continuity, and supporting informed strategic decision-making.

Statutory Framework Governing the Risk Management Committee

The primary legal framework governing the Risk Management Committee includes:

- ⇒ Regulation 21 of SEBI LODR Regulations read with Part D of Schedule II; and
- ⇒ Applicable provisions of the Companies Act, 2013, including Section 134 relating to Board's responsibility for risk management.

While the Companies Act does not mandate a separate Risk Management Committee for all companies, it places responsibility on the Board to devise proper systems to identify and manage risks. SEBI LODR, however, institutionalises this responsibility through a dedicated committee structure for specified entities.

Applicability

Constitution of a Risk Management Committee is mandatory for:

- ⇒ Top 1000 listed entities (based on market capitalisation), as determined at the end of the immediately preceding financial year.

Other listed entities, unlisted public companies, NBFCs, and group entities are encouraged to voluntarily constitute an RMC as a matter of good governance, particularly where the scale of operations or risk exposure is significant.

Panellists strongly emphasised that voluntary adoption of an RMC framework enables better preparedness, regulatory confidence, and stakeholder trust.

Composition and Eligibility Requirements

Under SEBI LODR Regulations

- ⇒ Minimum **three members**;
- ⇒ Majority of members to be directors of the Board;
- ⇒ Chairperson to be a Board member (not mandatory to be independent);
- ⇒ Senior executives, including the Chief Risk Officer, may be members.

The flexibility in composition allows companies to tailor the RMC based on industry-specific risks; however, independence, diversity of expertise, and domain knowledge remain critical for effective functioning.

Roles and Responsibilities of the Risk Management Committee

Statutory Responsibilities under SEBI LODR

Key responsibilities include:

- ⇒ Framing, implementing, and monitoring the risk management policy;
- ⇒ Identifying and evaluating strategic, financial, operational, cyber, ESG, and compliance risks;
- ⇒ Reviewing risk mitigation plans and controls;
- ⇒ Overseeing business continuity and disaster recovery frameworks;
- ⇒ Monitoring emerging risks and stress scenarios;
- ⇒ Ensuring alignment of risk appetite with corporate strategy.

The webinar highlighted that risk management is not a one-time exercise but a continuous, dynamic process requiring regular review and escalation mechanisms.

Expanded Role and Emerging Best Practices

In addition to statutory functions, contemporary Risk Management Committees are expected to:

- ⇒ Integrate Enterprise Risk Management (ERM) frameworks across business functions;
- ⇒ Coordinate closely with the Audit Committee to avoid overlap, particularly in internal controls and financial risks;
- ⇒ Oversee technology and cyber security risks, including data privacy and system resilience;
- ⇒ Incorporate ESG and sustainability risks into risk assessments;

⇒ Review regulatory developments and their potential impact on business models.

Panelists noted that regulators increasingly expect Boards and RMCs to demonstrate a forward-looking risk culture rather than reactive compliance.

Risk Management Committee and Technology-Driven Risks

With accelerated digital transformation, the RMC's role now extends to:

- Oversight of cyber security frameworks and incident response mechanisms;
- Review of automation, AI-driven decision systems, and third-party technology dependencies;
- Evaluation of data integrity, privacy risks, and regulatory exposure arising from digital operations.

Effective risk oversight in this area requires collaboration with IT, legal, compliance, and internal audit functions.

Practical Insight

Panelists at the webinar emphasised that the Risk Management Committee must function as a strategic advisory body, not merely a reporting forum. Particular emphasis was placed on the need for clear articulation of risk appetite, meaningful risk dashboards, and quality of deliberations. Regulators and stakeholders increasingly assess governance effectiveness based on how risks are anticipated, debated, and mitigated rather than on the existence of policies alone. The RMC's effectiveness lies in its ability to challenge assumptions, escalate critical risks to the Board, and embed a risk-aware culture across the organisation.

Conclusion

The Risk Management Committee plays a pivotal role in safeguarding organisational resilience in an increasingly volatile and complex business environment. Its effectiveness depends not only on regulatory compliance but on strategic foresight, cross-functional integration, and informed oversight by the Board.

As risks evolve beyond traditional financial parameters, a strong, proactive, and well-structured Risk Management Committee is indispensable for sustainable growth, regulatory confidence, and long-term stakeholder value.

To stay informed or access the webinar recording, visit the YouTube channel: 🎥 **"Decoding Corporate Laws with Mehta & Mehta**