

DAU 8-7 Financial Risk Management Policy

Policy Code	Policy Name		
DAU 8-7	Financial Risk Management Policy		
Responsible Executive	Current Revision Date	Next Revision Date	
Finance Department	10/2023	10/2027	

1. Purpose of Policy

The purpose of this Policy is to provide overarching principles for financial risk management in DAU.

2. Policy Scope

This policy applies to all financial processes in DAU.

3. Policy Statement

This policy serves as a comprehensive framework that identifies, evaluates, and mitigates the negative impact of different sources of financial risks, which may expose the University to potential losses of financial resources or fluctuation of financial performance. Therefore, a structured methodology is established and adopted to regularly identify such risks, evaluate the negative financial impact of certain events, and to decide their significance which will lead to adopting the best risk mitigation options to deal with such risks.

4. Policy Procedures

Risk Identification: DAU shall identify its financial risks

- *Credit Risk*: Credit risk refers to the possibility of a loss resulting from a borrower's failure to repay a loan and meet contractual obligations; this includes the delays in the payment of the loan as well.
- *Liquidity Risk*: Liquidity risk is the risk that the University will encounter difficulties in raising funds to meet its liabilities when they become due.
- *Business Risk*: Business Risk involves the risk of declining revenues due to decrease in number of students or prices, or the uncontrolled increases in expenditures during the normal course of business activities, which will ultimately affect the financial performance and the ability to meet certain requirements to ensure smooth running of operations.

Risk Evaluation and Mitigation Methodology

- *Credit Risk*
Financial assets, which potentially subject the University to concentration of credit risk, consist principally of the current bank accounts and deposits/ saving accounts. The University mitigates its credit risk regarding the bank deposits throughout:
 - Dealing with high credit quality financial institutions, in addition to conducting continuous review of the financial institution's credibility, considering the trade-off between the benefits obtained from dealing with certain financial institution vis-a-vis the credibility risk involved.
 - Extra available funds are invested in short-term fixed deposits that do not exceed 1-year maturities and over several maturity dates carefully distributed across the year to ensure satisfying any urgent cash needs for operational requirements and to avoid liquidating any of the deposits before the maturity date which would lead to losing the expected profit.
 - The University's management is continuously evaluating its investment credit risk to ensure that the credit risk related to bank accounts lies within an acceptable range.

- **Liquidity Risk**

To mitigate such risk, the management should ensure the availability of diversified funding sources along with continuous monitoring of liquidity sufficiency on a regular basis through:

- Cash flows forecasting serves as a key indicator of future cash sufficiency, which helps to provide an early alarm pertaining to any anticipated liquidity problems.
- Cash safety margin must be maintained, that is equivalent to a minimum of 3 times total monthly operating expenses.
- The availability of easily accessible sources of funding, either through equity or debt sources, should be maintained to raise the necessary funds to meet any financial obligations and ensure smooth running of operations. Reliable and sustainable relationships with banks and other financial institutions should be maintained to facilitate providing the necessary funds within a short period.

- **Business Risk**

To avoid the potential negative impact on financial performance and the ability to meet certain requirements, and to ensure smooth running of operations, several approaches and techniques should be adopted by the University's management to mitigate the different types of business risks as follows:

- DAU shall follow a continuous improvement approach to improve the quality of academic programs; studying the dynamic market needs for new knowledge areas and introducing new academic programs that fulfill such needs and guarantees sustainable business growth.
- The planning and budgeting process also help addressing the key business risks involved in different business activities, and the level of uncertainty that is inherent in the planning process.

Financial Risks Management review and Measuring

DAU controls the financial risk management measures with suitable measurement tools and follow-up to ensure they are working as planned to minimize any expected financial risks.

- **Credit Risk:** Mitigate such risks by:

- Dealing with high credit quality financial institutions, in addition to conducting continuous review of the financial institution's credibility.
- Evaluation -by DAU management- its investment credit risk to ensure that the credit risk related to bank accounts lies within an acceptable range.

- **Liquidity Risk:** Mitigate such risks by:

- Ensuring the availability of diversified funding sources along with continuous monitoring of liquidity sufficiency on a regular basis.
- The availability of easily accessible sources of funding, either through equity or debt sources, should be maintained to raise the necessary funds to meet any financial obligations and ensure smooth running of operations.
- Reliable and sustainable relationships with banks and other financial institutions should be maintained to facilitate providing the necessary funds within a short period.

- **Business Risks:** Mitigate such risks by:

- Following a continuous improvement approach as a methodology to mitigate possible risks by improving the quality of academic programs, studying the dynamic market needs for new knowledge areas.
- Introducing new academic programs that fulfill such needs and stimulate sustainable business growth and planning for this new program financially.

5. Related Policies/ Documents/ Forms

NA

6. Document History

Version	Issue/ Rev. Date	Updated Information/ Summary of Changes
1	10/2023	1 st issue of the policy