

More rice farmers growing organically, improving their incomes, health, and nature.

## Hoa Nang

### Anticipated transaction impact

Timely payments to farmers at harvest.

**Impact score** Pass (3.58/4)  
**Credit score** Pass (3.14/4)

### Loan Overview

Commitment limit	USD 200,000
Tenor and structure	10 months; 5 months of interest only and 5 months of principal and interest.
Interest rate	8.5%

### Financial Overview

2023-2024 Revenue	\$799k
2023-2024 Net Profit	\$60k
June 2024 Net Assets	\$260k

### Company Information

Legal name	Hoa Nang Agricultural Corp
Incorporation date	2018
Corporate address	Ho Chi Minh, Vietnam
Nature of business	Organic Rice Production
Website	<a href="https://hoanangorganic.com">https://hoanangorganic.com</a>

### Shareholders

Name	Share (%)
Dang Thi Truong An	50
Lam Anh Tu	50

### Company management

Name	Nationality	Position
Dang Thi Truong An	Vietnamese	CEO
Lam Anh Tu	Vietnamese	Production Director

### Recommendation

Approval of a USD 200,000 working capital loan to Hoa Nang.



### Executive summary

Hoa Nang is a 10-year-old<sup>1</sup> organic rice producer that works with smallholder farmers in Ben Tre province in the Mekong Delta region of southern Vietnam. The Mekong Delta accounts for about 80% of the country's rice production, consisting mostly of conventional rice farmers. Hoa Nang stands out for its organic, natural, and biological approach.

Hoa Nang recruits and trains farmers to comply with standards required by the organic certification bodies in Japan, US, and Europe. These standards allow organic fertilizers and seeds and prohibit the application of pesticides. It means more work for the farmer, but it results in healthier farmers, consumers, and an environment that is rich in biodiversity.

Hoa Nang sells 90% of its products domestically, although with new sales contracts in 2024, exports are expected to grow in the 2024/2025 season. Farmers sow in August and harvest in late November through December.

As it expands its farmer base, from 55 to possibly 90 in the next season, Hoa Nang is seeking a loan to buy organic inputs and to pay farmers during harvest, before it collects from customers. We have divided our loan into two tranches – 50% at sowing and 50% at harvest time.

This will be BR's first loan in Vietnam. Vietnamese companies are allowed to take offshore loans without an approval from the State Bank of Vietnam (SBV) if the loan term does not exceed 12 months. We have thus far been guided by one of our investors, SK2, who is a lender to Hoa Nang and who recommended that we explore this lending opportunity.



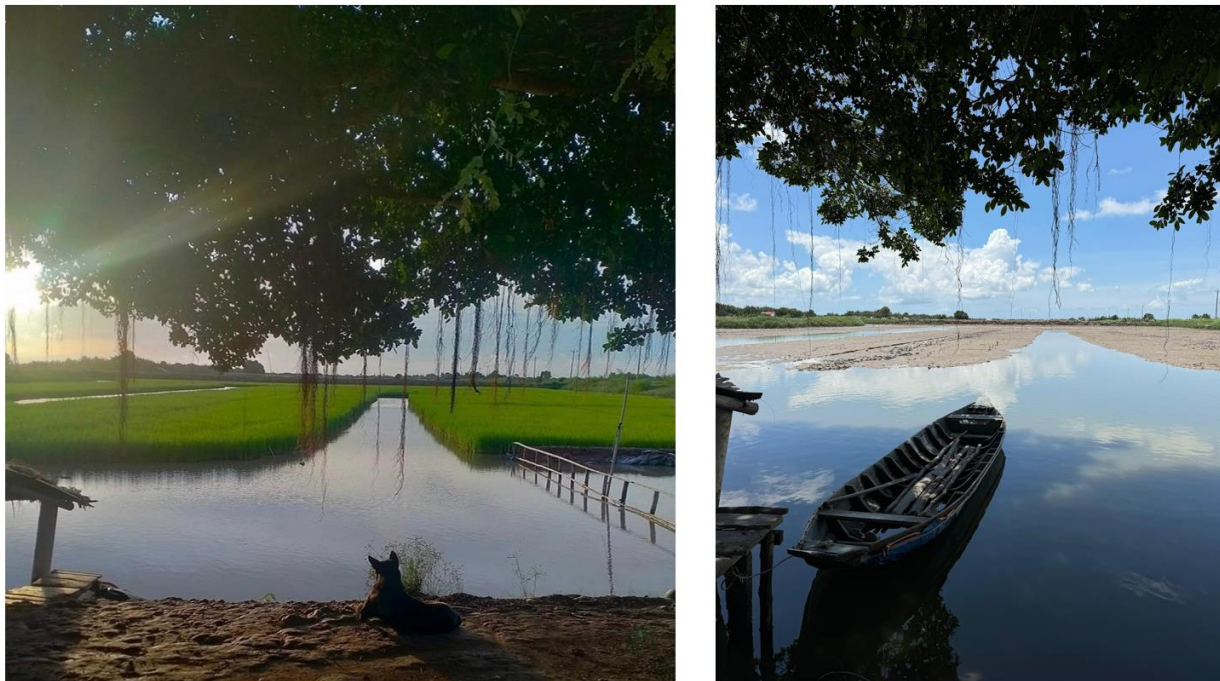
<sup>1</sup> From 2014 to 2018, it was operated by the same entrepreneurs in the same growing areas under another name: Greenfields.

## Impact background and delivery

Vietnam has made significant progress in poverty reduction in the last decade. From 2010 to 2020, the World Bank's poverty rate (measured at \$3.20/day) dropped from 16.8% to 5%, lifting over 10 million people out of poverty<sup>2</sup>. Although more can be done, the nature of what *ought* to be done is also changing. The agenda is moving from merely raising minimum living standards to creating new and sustainable economic pathways for a driven population to succeed. In agriculture, one such pathway is natural and organic farming.

Hoa Nang works in the Mekong Delta. It is often called the "Rice Bowl" of Vietnam, spanning 12 provinces and sustaining around 17 million people, with 80% engaged in rice farming. As such, rice farming done right can have far-reaching and positive ripple effects on farmers and their families. Unfortunately, such models are not common. Most are conventional farmers who spur and protect crop growth with chemicals. In fact, we have found only two other organic rice companies in Vietnam who are certified by the USDA, with a narrower product range.

Farmers who work with Hoa Nang were conventional farmers. The impact of pesticides on farmer health is well documented and unequivocally negative. Over time, the use of chemical fertilizers and pesticides strip the soil of life and fertility. Because these paddy fields are on or near the Mekong Delta, the collateral damage to nature is greater. It is estimated that 40,000 tons of plastic<sup>3</sup> flow into the oceans from the Mekong River each year. Various pesticides have been detected in surface water, groundwater, and even bottled water.<sup>4</sup> Polluted waterways affect marine life, such as indigenous species of fish, shrimp, and mud crabs. They also threaten the livelihoods of fishing communities, estimated to exceed ten million people.<sup>5</sup> As a testament to Hoa Nang's impact, there was not a trace of plastics or burnt ash anywhere on the handful of farms we visited during the site visit (more below).



**Figure 1** The same field before and after paddy is sown. The farmer harvests seafood in his rowboat.

Hoa Nang leads farmers in crossing the conventional – organic divide. It is a transformation that is both demanding and rewarding. Farmers need to professionalize the way they farm and manage their premises. They need to keep

<sup>2</sup> [2022 Vietnam Poverty and Equity Assessment Report \(worldbank.org\)](https://www.worldbank.org/)

<sup>3</sup> [Pollution in the Mekong River \(arcgis.com\)](https://www.arcgis.com/)

<sup>4</sup> [Land Use Influencing the Distribution of Pesticides in Surface Water: The Case of the Ma River and Its Tributaries in Thanh Hoa Province, Vietnam | Archives of Environmental Contamination and Toxicology \(springer.com\)](https://www.springer.com/)

<sup>5</sup> [Mekong River | Greater Mekong | Places | WWF \(worldwildlife.org\)](https://www.worldwildlife.org/)

records, and they would now be subject to an annual audit. But their diligence and compliance is rewarded with tangibles such as the assurance of sales at a premium and better physical health.

In addition to monitoring farmers for compliance with organic standards, HN's field staff also guide them along the way. HN further incentivizes the transition by subsidizing half the cost of organic fertilizers. Field staff remain in the area for consultation whenever farmers encounter difficulties. Together, they decide on the day farmers sow and the day they reap, when HN would arrange for the paddy to be hauled to the mill.

Farmers who work with HN end up in one of two lines: the organic line (40 farmers) or the sustainable line (15 farmers). Under the organic line, standards are stricter, and farmers are certified and recertified every year. Under the sustainable line, farmers do not need to be certified, but they adopt clean practices and abstain from the use of pesticides. These farmers form a ready pool HN can admit into the organic line to increase their organic rice crop. Organic rice sells for almost twice what rice under the sustainable line sells for.

From data collected by HN, a farmer can yield a profit of \$1,800/ha under the organic line and \$1,400/ha under the sustainable line. This is ~15-20% higher than their previous alternative, selling non-organic rice to traders.

This is also ~40% higher than our other rice borrower, Urmatt, who sells rice in bulk. The average farmer owns 2 hectares of land, and works on it for 4+ months. This translates to \$900/month from rice farming for the organic farmer and \$700 for the farmer under the sustainable line.

Another income source supplements rice farming income: selling seafood that thrives in the waterways around the rice farm.

Because of how clean the water is on the farm, it teems with fish from the Mekong Delta, which swim in through the sluice gates separating the farms and the tributaries. To this natural stock, farmers add baby shrimp and crabs, and all grow from natural food sources on the farm. For example, rice straw that is *burnt* in almost every conventional farm post-harvest is instead left to decompose on the farm, helped by microorganisms, and it becomes food for marine life. Farmers harvest the seafood to feed themselves and also to sell. Farmers earn a net profit of around \$5,000 every year from the sale of seafood on their farm.

"They only need to go to the market to buy pork and beef," Tu, one of the owners of HN, explained.

Being located next to the sea, water levels rise and fall with the tides daily in the Mekong Delta. This natural phenomenon is combined with sluice gates to naturally flush the rice fields of insects. This also supports native bird and fish populations that rely on the insects for food.

The farmers HN works with currently cover just over 100 hectares of land (expected to grow to 150 ha in 2025). The leaders of the company estimate that in the immediate surrounding area, up to 5,000 hectares are convertible to organic farmland. They hope to broaden their farmer base over time. To do that, they would need to create a higher demand for their product and sell more.



Figure 2 From left Anh Tu (co-owner and field director), Tuan (one of HN's top grossing farmer), and Phong (HN's field staff)

### Site Visit

Alex visited Hoa Nang on Aug. 5, 2024. He was joined by Yen Do who worked for the Beacon Fund, an ex-lender to HN. Yen came to help with translation and because the company's work resonates strongly with her. Together, they visited one of HN's three main clusters of farms and interacted with a handful of farmers. The farmers Alex met had been with the company for ~8 years, some from when it began 10 years ago. The close relationship between the farmers and the founders is palpable. "We wouldn't have stuck with the company if they weren't good to us," one of the farmers, Mien, said.

The HN staff and Alex had to ride bikes through narrow roads to access the inner farms. According to the farmers, traders used this inaccessibility as an excuse to pay less. Farmers appreciate the technical support they get, from learning how much fertilizer to apply to fending off crop disease. Not a trace of plastics or burning was spotted.

The farmers extended such warm hospitality to the team. Lunch comprised of freshly caught seafood and vegetables from the farm, served with HN's rice and noodles. "This is the freshest and tastiest crab I've had!" Alex said.

### **Business model**

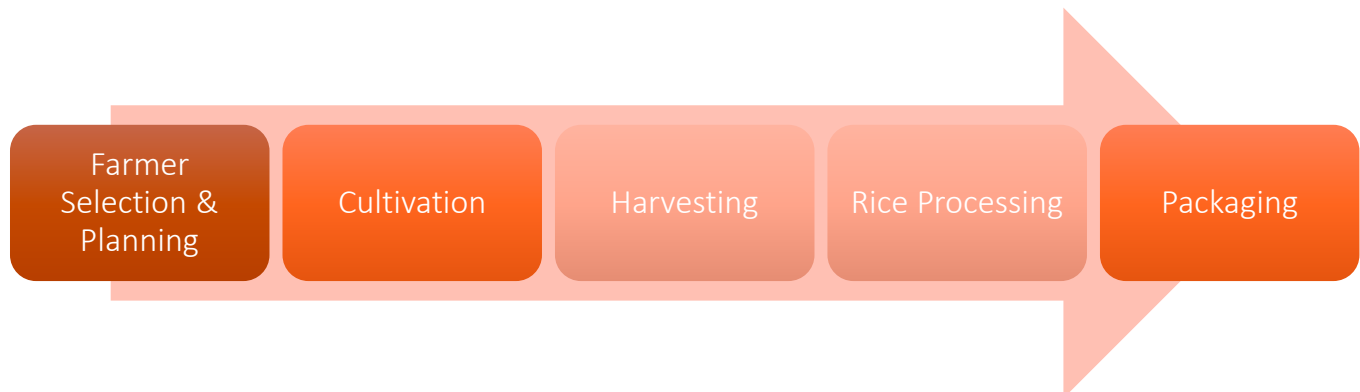
#### *History*

Both of the founders, Truong An and Tu, worked at an organic fertilizer company. Tu was struck by the amount of conventional rice from Vietnam to the U.S. that was returned due to its high pesticide content: 10,000 tons per year. This rice would then be consumed locally by his fellow countrymen. In 2014, while they were searching for suitable places and crops for their product, they found rice farmers in Thanh Phu, Ben Tre. The area was naturally suitable because, historically, coconut palms that did not need much chemical fertilization grew there. Therefore, the land was not overly degraded. Also, as the farmers had been growing seafood, they were not heavy users of chemicals. There would be less to wean off as they adopted organic standards.

The founders also foresaw the continued growth in the demand for organic produce. Customer awareness was growing, along with buying power. However, leadership in the organic food industry within Vietnam was lacking. They decided to leave their corporate jobs and became one of the pioneers within the industry.

The company pitched for an investment in 2018 at the Vietnamese shark tank and received VND 10 billion (USD 400,000) in both equity and debt from Louis Nguyen. In 2022, An and Tu repaid and bought out Louis' stake to each own 50% of the company. They raised the funds by selling personal assets, underscoring their deep commitment to the business.

#### *Supply Chain*



### Farmer Selection and Planning

HN begins the cycle by finalizing the pool of farmers they will work with in the upcoming season. This is made up of their existing pool of farmers and new farmers, who are often referred by existing farmers. The referrer serves as a mentor to the new farmer. New farmers must comply with organic practices that include abstinence from chemical fertilizers and pesticides for at least 3 years. Soil and water samples are tested to verify farmers' claims. HN organizes farmer workshops to train farmers and agree on product pricing. HN will provide seeds according to stipulated standards and subsidize 50% of fertilizer cost. Organic seeds cost \$115/ha and fertilizers \$155/ha in the upcoming season. A sowing date is picked, and HN will deliver inputs to farmers before the day. HN plans to work with 55 farmers this year, up from 40 last year. This happens in August.

### Cultivation

HN checks the water salinity and schedules farmers to sow according to rice variety. For new farmers, field staff demonstrate how to soak and sow seeds, and how much to fertilize. HN will recover the cost of inputs from farmers within 30 days (fertilizer subsidy is paid during harvest). Field staff regularly visit the fields and instruct farmers on pest and disease management. Farmers are required to keep a cultivation diary as the plants grow. This happens from September to December each year.

### Harvesting

HN and the farmers agree on the harvest date and the schedule for paddy purchase. This happens in December. HN helps to transport the fresh paddy in 50kg bags from the fields to the station where they buy and aggregate paddy. The risk during harvest is rain. December has historically been dry, but climate change has meant it can rain on some days. As a testament to HN's commitment to farmers, they pay for wet paddy at the same agreed rate as dry paddy. They truck the wet paddy to the milling facility where it is dried – a resource that farmers otherwise do not have. Wet paddy was a reason used by traders to pay farmers less before HN, when some even lost a part of their crop. An, the CEO, estimates that each rain costs them \$2,000. Yet she asserts that farming done right gets to the root of reversing climate change.

(Please refer to "Production" below for a description on rice processing and packaging.)

### Sourcing

Hoa Nang works with 55 farmers covering an area of ~100 hectares for its paddy. Of the 55, 40 are organic while 15 are part of the sustainable rice program. This number will grow in this coming season to approximately 90 and there are more farmers waiting to come on the program, mostly the result of word of mouth.

Two main risks exist in the supply chain: a low yield and/or poor quality. In the former scenario, farmers would have less to sell to HN, and HN in turn may not have enough rice to meet customer demand, impacting the company's revenue and profits. The latter scenario poses a greater risk to HN. Examples include empty grains or rain-damaged crops as the company has committed to buying all paddy. As mentioned above, rain has chipped away at the company's profits, but quality issues have otherwise been rare. Farmers are paid in cash within 3 days after the quantity is confirmed. The 50% subsidy for fertilizers will also be paid at this time (this increases farmer ownership through the growing season).

HN's products are certified organic by the U.S. Department of Agriculture, the European Union, and Japan. They are also certified by HACCP (Hazard Analysis and Critical Control Points) which is a food safety management system recognized around the world. The company's certification must be ratified annually, and it is a part of production costs.



Figure 3 Hoa Nang's certifications

Production

Rice Processing

HN does not own a mill; they outsource this process to an approved mill that meets the organic standards for drying, milling, and packing rice in 50 kg bags. We have sighted the contract between HN and Lua Vang Viet factory. Fresh paddy from the farmers must be transported to the factory that is located 210 km away within 48 hours. Fresh paddy is dried and stored here. Paddy is milled to fulfill customer orders, with a HN staff present to monitor and supervise the process. Milled rice is transported to HN’s packing facility that also meets organic standards.

Packaging

Milled rice is sent to the Hoa Nang packing facility, where it is vacuum-packed according to weight and packed in cartons. Presently, organic rice retails in 1 and 2 kg packs, and it comes in white, brown, and purple varieties. Because the price per kilogram is double that of conventional rice, they sell them in smaller quantities compared to conventional rice that usually comes in 5 and 10 kg packs. Broken rice from milling is another product and marketed as toddler food. “It’s always out of stock,” An said, referring to broken rice.

These packs are distributed to agents and supermarkets for in-country sales and shipped for export.

HN doesn’t just sell rice under its own brand. Recently, they started packing rice under the sustainable program in 5 kg packs for Golden Success, a New Zealand company based in Auckland with a sister company in Vietnam. We spoke with the buyer, who said they picked HN because of their product reputation. “Hoa Nang’s product is well known in the market,” Mr. Duy, the buyer in Vietnam for Golden Success, said. The first shipment was delayed in Singapore and only arrived in Auckland on August 7, two months after it left Vietnam. Golden Success is now exploring a more efficient way of importing HN’s rice into NZ.



Figure 4 HN's purple rice; they are the only organic grower in Vietnam



Figure 5 A sample of Hoa Nang's retail products

Sales and Logistics

For its branded products, HN distributes them online and through selected retailers located in high-end residential areas domestically. Large and reputable domestic customers are given 30-45 days to pay while smaller retailers need to pay upfront. Due to this strict credit policy, sales do not grow as quickly. The target segment is retail so there is little customer concentration. For example, the top 2 customers (who sell HN’s branded products) constitute 20% of annual sales.

Its top customer is Hang Organic, an organic online retail store. We spoke to Madam Hang of Hang Organic as part of our due diligence. “An doesn’t just care about customers, she cares equally about farmers, that’s why her products are excellent.” Madam Hang said. “When An and Tu went through extremely difficult times, their passion never wavered, that’s why I’m so glad I get to support them.”



Figure 6 Screenshot of Hang Organic's Facebook page

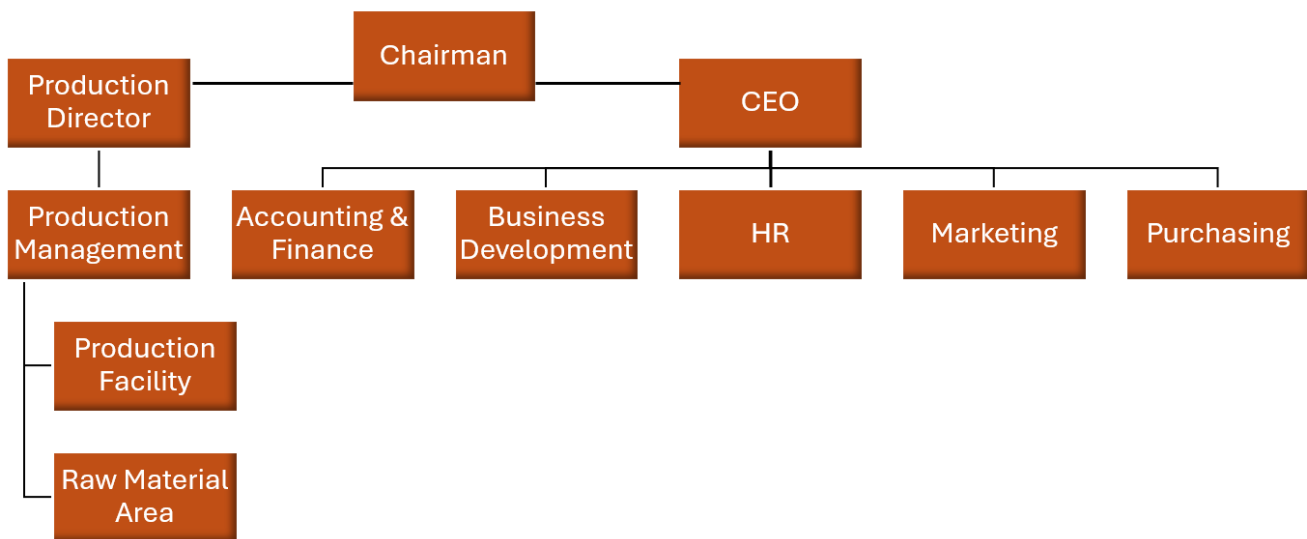
When we looked up Hang Organic on Facebook, we found a firm endorsement of HN’s products, a decent following, and a cascade of orders for HN’s products on the comments section.

Organic rice is a premium product and there is a correlation between sales and the state of the economy. As consumers become more discerning and purchasing power grows, sales ought to trend higher if the go-to-market strategy is right. Even though organic rice costs twice as much as regular rice, local distributors have encouraged a rising middle class to prioritize quality. We foresee a trend of lower rice consumption of a higher quality over time which ought to bode well for HN.

Apart from selling rice and non-organic rice, HN sells other products like rice noodles and crackers, and seafood from their farmers. Other products make up around 17% of total sales. Seafood is a high value product and HN intends to grow this segment in time to come.

**Management and organization**

Truong An and Anh Tu lead the company as CEO and Production and Field Director, and each of them owns 50% of the company. There are 12 full-time employees who report to them.



**Figure 7 Organizational Chart**

An and Tu have been leading the company for almost 10 years. Their tenure underscores their commitment to the cause and the company. An is supported by Hien, who can be counted upon to administer the company in An’s absence, directed by Tu. An has a finance background and thus is well placed to manage the company’s finances and cashflows. For field operations, Tu’s team is adequately trained to manage raw materials and production in Tu’s absence.

As the company grows, An and Tu are considering bringing another member to join them in management, to drive sales for the company.

**Financial overview**

The rice industry has typically operated on high volumes but low margins, as products are commoditized. HN differentiates itself through the quality of its product that is renowned in the country. Sales has been growing although the company needed to recover from the withdrawal of a large local customer at the end of 2022 when the 3-year contracted was fulfilled. It recontacted the company this year and has verbally committed to a purchase order for 150 tons in the upcoming season. The outlook for HN is fair, as the demand for organic food from discerning customers within Vietnam continues to grow and new export orders are secured.

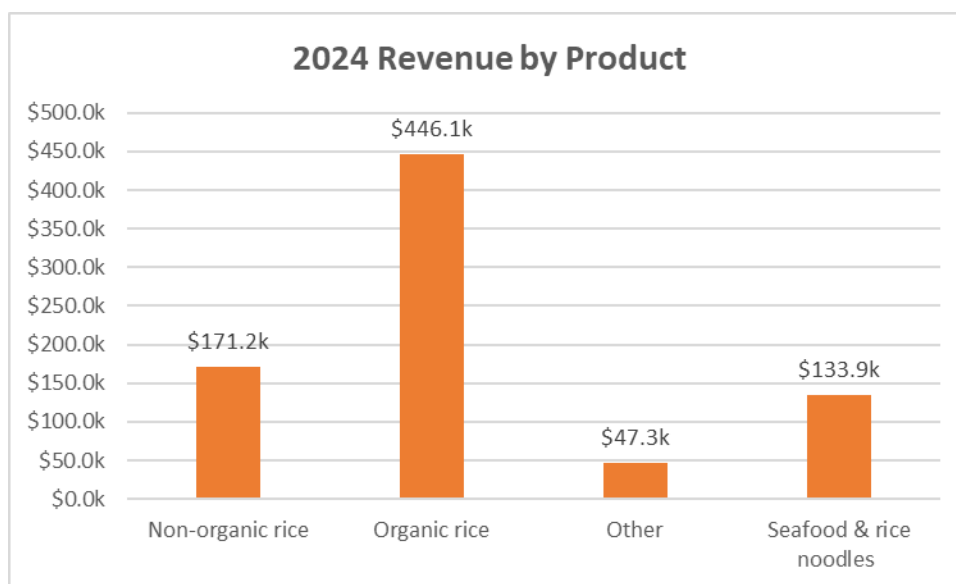


*Financial performance*

PnL	2020	2021	2022	2023	2024	2025F
Revenue	560.8	542.0	788.1	629.0	798.5	1,087.0
Cost of Sales	-410.4	-426.6	-647.5	-454.2	-584.5	-760.9
Gross Profit	150.4	115.4	140.5	174.8	214.0	326.1
Overhead costs	-106.9	-137.3	-169.7	-153.1	-154.0	-230.4
Net Profit	43.5	-21.9	-29.2	21.7	60.0	95.7
<b>Financial performance metrics</b>						
Annual revenue growth rate		(3%)	45%	(20%)	27%	44%
Annual operating costs growth rate		28%	24%	(10%)	1%	44%
Gross profit margin	27%	21%	18%	28%	27%	30%

HN’s fiscal year runs from July to June. Revenues have been in a gradual uptrend, although this was interrupted in 2023 when Vinamilk, a local household name did not reorder due to the economic uncertainty then. For the year ended June 2022, they experienced the steepest revenue growth because Vinamilk also bought rice straw from them that year. As with most big buyers, however, they managed to compress HN’s profit margin in that contract. HN also needed more capital to fund that order during the harvest period. It ended up borrowing USD 250k from the Beacon Fund at a time when it had no experience hedging FX exposures. The high cost of borrowing and the exchange loss it incurred between drawdown and repayment contributed to a net loss for the year. An now knows better – she would contract an FX swap with the bank if she’s approved for a USD loan from BR to eliminate any FX risk.

The net profit is slim also because HN outsources milling and storage to an external facility – the cost of transportation and the service fee chip away at their bottom line. They hope to operate their own mill and provide a service to neighboring farms in time to come. Another factor that shaves their profit margin is the cost of certification, which is not applied over a larger volume as HN has only one growing season.



In growing revenues for the year ahead, HN intends to farm more of its unique and highly profitable organic purple rice, increase production of rice noodles (a local favorite), fine tune the marketing for high-value seafood, and continue to pursue export markets.

*Financial position*

<b>Balance Sheet</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Cash	33	9	3	71	2
Receivables	223	252	79	166	78
Inventory	108	95	132	187	275
Other current assets	18	24	37	45	39
<b>Current assets</b>	<b>382</b>	<b>380</b>	<b>251</b>	<b>469</b>	<b>394</b>
<b>Current liabilities</b>	<b>169</b>	<b>189</b>	<b>96</b>	<b>273</b>	<b>141</b>
<b>Working Capital</b>	<b>213</b>	<b>191</b>	<b>155</b>	<b>197</b>	<b>253</b>
<b>Total assets</b>	<b>384</b>	<b>380</b>	<b>260</b>	<b>477</b>	<b>401</b>
<b>Total liabilities</b>	<b>169</b>	<b>189</b>	<b>96</b>	<b>273</b>	<b>141</b>
<b>Shareholders' equity</b>	<b>215</b>	<b>191</b>	<b>164</b>	<b>204<sup>6</sup></b>	<b>260</b>

HN has no long-term debt. It borrowed short-term working capital from the Beacon Fund in 2022 and from SK2 (a BR investor) in 2023. Both parties testified to HN's creditworthiness.

"HN has never been late repaying their loan," Yen Do from the Beacon Fund said, "An's passion is plain to see and very inspiring." HN did not reborrow because since then, the Beacon Fund revised their revenue criteria to a minimum of \$2m, which HN does not meet yet.

It was Erik Schultz and Huyen of SK2 who referred HN to us. SK2 lent \$50k to HN and they cannot keep up with HN's funding needs as they grow. (Note: Huyen did not stop at making the introduction. She joined our initial calls, serving as interpreter.)

HN does not own its own mill and is very light on fixed assets. An said, "We do not have fixed assets because most of the money has been invested in inventory, purchasing rice for farmers each year, as well as in improving and building up the raw material regions since the early years of the project until now. Apart from assets such as warehouses, basic packaging machinery, and rice cracker machines, the most valuable assets of Hoa Nang are our team and the foundation we have built with farmers to produce organic rice. I have a car, which is an inheritance from my family, we use it to travel to Ben Tre. However, given the financial situation of Hoa Nang, I did not sell the car but instead have been renting it to Hoa Nang at a very low rate to be used for transportation and goods delivery over the past few years."

HN has a positive net worth of \$260k. It is composed primarily of liquid current assets as receivables and inventory, which can be liquidated to repay our loan if needed.

**Transaction Overview**

HN requested a loan of \$200k, to be disbursed in two tranches of \$100k each. \$100k will be disbursed at the start of the growing season, to help with the purchase of inputs. The other \$100k will be disbursed at harvest, to pay farmers before paddy is milled into rice and sold. Combined, it is <50% of last year's rice COGS; it shows that the company is not over-reliant on external funding. The loan will be repaid in 5 equal monthly instalments starting 3 months after harvest. Repayment coincides with months when they are most flushed with cash from sales.

Both the founders/owners of the company, An and Tu, will provide their personal guarantee on this loan.

<sup>6</sup> Equity increased more than net profit because HN recovered an expense of \$16k from 2020. FS is translated from VND so there are insignificant translation differences.

**Major risks and mitigating factors**

Risk	Probability	Risk mitigating factor
Demand for finished goods is lower than anticipated, impacting sales and ability to repay	Moderate	<ul style="list-style-type: none"> <li>▪ HN has a strong reputation domestically, which can be leveraged to tap the high-end market. Growing sales is a priority and the company is looking for a capable salesperson.</li> <li>▪ Campaigns can be run where discounts are offered to notch sales. We have seen the effectiveness of such campaigns on Hang Organic, HN’s largest customer and distributor.</li> </ul>
Interruption at the milling facility	Low	<ul style="list-style-type: none"> <li>▪ HN has collaborated with the external milling facility for 3 years with no issues.</li> </ul>
Side selling by farmers to traders	Low	<ul style="list-style-type: none"> <li>▪ Deep relationships between HN and farmers are the safest guarantee of farmer loyalty. This was evident during the site visit, together with the long tenure of collaboration.</li> <li>▪ Farmers pay for premium inputs and only receive reimbursement when they sell their harvest to HN.</li> </ul>
Crop failure due to climate change	Moderate	<ul style="list-style-type: none"> <li>▪ Organic farms are more resilient compared to conventional farms. Adverse weather will affect total output which ought to drive prices higher.</li> <li>▪ Weather risk is shared with farmers, who bear the risk of lower yield.</li> </ul>

**Conclusion**

The rarest resource within impact investing is committed, resilient entrepreneurs who truly care for the cause. Entrepreneurs who persevere through tough times, who have counted the cost and who derive fulfilment from their work. We believe An and Tu are such entrepreneurs. Ex and present lenders and customers corroborate our impression. An and Tu possess both the character and the savviness to run Hoa Nang well. The result of their labor is well aligned with what our capital seeks to achieve: Healthier farmers earning a more meaningful income while rejuvenating the earth.

Appendix 1: Hoa Nang Impact Assessment

Impact score: 3.58 out of 4

Prospective borrowers are rated with 1 point for Low, 2 points for Moderately Low, 3 points for Moderately High, and 4 points for High. A minimum score of 3 is required for approval. Please refer to [this document](#) for a detailed understanding of credit score categories.

Category	Subcategories	Score	Weight	Wt. Score
<b>DEPTH AND BREADTH</b> <i>Is the breadth of impact wide, relative to the current size of the org? How meaningful are the changes to the beneficiaries? Are the beneficiaries truly excluded and marginalized?</i>	Impact relative to the current size of the organization	4	30%	1.10
	Meaningful changes to the beneficiaries	4		
	Beneficiaries' exclusion	3		
<b>SYSTEMIC CHANGE</b> <i>Is the social enterprise focused on lasting change? Is the social enterprise driving policy change or serving as an example to the industry and its peers?</i>	Wider impact commitment	4	25%	1
	Beneficiaries' autonomy	4		
<b>INTENTIONALITY</b> <i>How committed is the social enterprise to its social or environmental mission? Does the social enterprise measure its progress using pre-selected metrics?</i>	Focus on impact	4	25%	0.88
	Impact reporting	3		
<b>COMMUNITY ENGAGEMENT</b> <i>Are the beneficiaries active voices in crafting solutions? Is the social enterprise building local human resources?</i>	Stakeholder involvement	3	10%	0.30
<b>ADDITIONALITY</b> <i>Is Beneficial Returns' investment crucial to the company's continual growth? Is the company using the funds to create new streams of income?</i>	Credit history	3	10%	0.30
	Use of funds	3		
<b>TOTAL</b>				<b>3.58</b>

**Appendix 2: Hoa Nang Credit Assessment**
**Credit score: 3.14 out of 4**

Prospective borrowers are rated with 1 point for Low, 2 points for Moderately Low, 3 points for Moderately High, and 4 points for High. A minimum score of 3 for approval. Please refer to [this document](#) for a detailed understanding of credit score categories.

Category	Subcategories	Score	Weight	Wt. Score
<b>BELIEF IN MANAGEMENT</b> <i>Can we obtain strong references about the character and ability of the entrepreneur? Is leadership at the social enterprise plural, resulting in a completeness of requisite skills? Is the governance structure adequate? Are financial statements prepared monthly and audited?</i>	Entrepreneurs' character and motivation	4	30%	0.98
	Completeness of skills between entrepreneur and next level management team	3		
	Governance	3		
	Reliability of financial information	3		
<b>CAPACITY (PROFITABILITY)</b> <i>Does the social enterprise have a positive earnings trend? Has it pursued external certification that raises the barrier of entry to its customers? Are top customers adequately diversified? Are suppliers adequately diversified? Is quality control and improvement an ethos within production? Is working capital adequate relative to the cash conversion cycle?</i>	Ability to be profitable	3	30%	0.98
	Revenue quality	3		
	Supply and operations reliability	4		
	Working capital performance with respect to the business model	3		
<b>TRANSACTION CREDIT</b> <i>Is the social enterprise's DSCR adequate for the debt obligation? Is there collateral for the loan with an adequate loan-to-value amount? Is there a guarantor for the loan?</i>	Ability to service debt	3	20%	0.50
	Collateral or guarantees	2		
<b>CUSHION AND EXTERNAL FACTORS</b> <i>Is the social enterprise operating within a highly regulated industry? Is competition stiff due to low barriers of entry? Is the current ratio high (<math>\geq 1.75</math>)? Is the social enterprise lightly leveraged (<math>D/E &lt; 1.0</math>)? Does the social enterprise have adequate runway; does it exceed the loan term?</i>	Vulnerability to industry-specific regulations	3	20%	0.68
	Competition	3		
	Liquidity	4		
	Leverage	4		
	Runway (Cash divided by the last 12 months' operating cash flows)	3		
<b>TOTAL</b>				<b>3.14</b>