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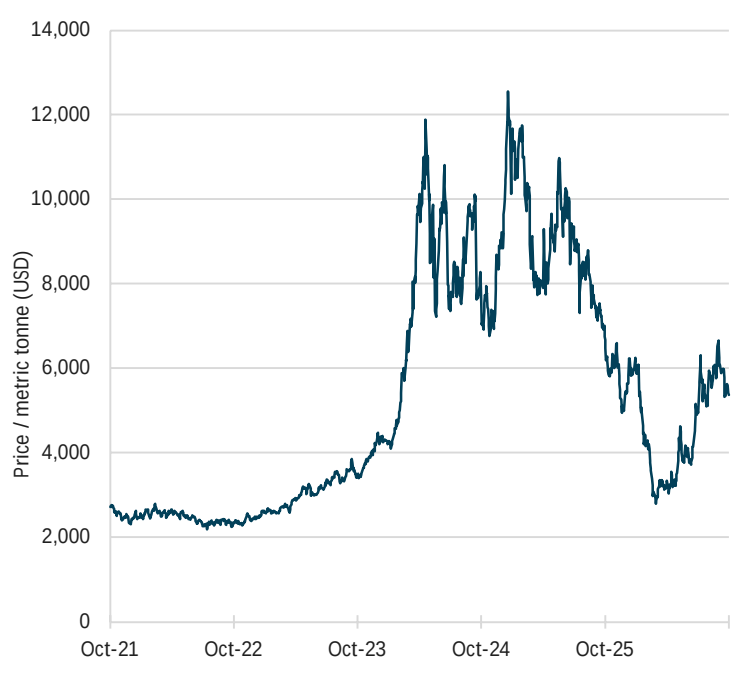
Could deforestation trigger a rating downgrade for Barry Callebaut?

Naomi Prasad* | 01 Oct 2026 | 14 minute read

SUMMARY

- Barry Callebaut has experienced recent financial weakness driven by cocoa supply shocks and resulting high prices.
- Deforestation in the Congo Basin is changing rain patterns in key cocoa production regions in West Africa, likely leading to ongoing supply and price volatility.
- Rated Baa3/BBB- and on negative watch, any further credit weakness could result in downgrade to sub-investment grade, further deteriorating its funding environment.

Figure 1. Cocoa commodity prices 2021 to 2026. Source: Bloomberg Finance L.P., accessed 29 Sep 2026.



Barry Callebaut (Ticker: BARY) is a global producer of chocolate and cocoa products with significant exposure to cocoa and palm oil commodities. Recent volatility in cocoa prices (as shown in Figure 1) has contributed to financial stress at the company, leading to reduced EBITDA margin (from 10.7% 2022 to 6.1% 2025) and increasing leverage (from 1.4x 2022 to 4.7x in 2025). BARY is currently rated Baa3 Neg/BBB- Neg, meaning any downgrade would be to a sub-investment grade rating.

High cocoa prices have been driven by supply shocks. In 2024, heavy rains in the dry season, an absence of rain in the rainy season, and an outbreak of crop disease that proved too expensive for smallholders to handle caused yields to drop by 25%[1] in Ivory Coast, the world's largest producer of cocoa. These changing rain patterns are a consequence of deforestation in the Congo Basin, known as the world's 'second lung'.[2]

BARY has EUR3,088mn of total bonds outstanding, with redemptions in 2028/2029. Ongoing financial weakness would present risks to its Baa3 / BBB- (Neg) rating; a downgrade could have implications for refinancing.

In this paper, we analyse BARY's approach to reducing deforestation within its supply chain, its exposure to climate risks from deforestation outside of its supply chain, and implications for investors.

[1] "Cote d'Ivoire cocoa exports and deforestation 2026", Trase Earth, accessed 30 Sep 2026.
[2] "Struggles of the world's 'second lung' put one of the most beloved crops at risk", FT, 18 Nov 2025.

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Introduction: The warning lesson of 2024

Financial stress

2024 and 2025 were challenging financial years for Barry Callebaut. In Fiscal Year End (FYE) Aug 2024, BARY's EBITDA contracted 12% to CHF800mn, and EBITDA margin by 28% from 10.7% to 7.7%. Its net leverage more than tripled from 1.5x PY to 4.8x and its interest cover reduced from 7.2x to 4.5x.[3] This stress continued into FYE Aug 2025, with EBITDA margin contracting by a further 20% to 6.1%, gross margin collapsing to 9.6% from 15.9% in 2023, and interest cover shrinking to 2.6x. Figures are shown below in Table 1.

Table 1. Financial statement highlights. Source: Barry Callebaut Investor Relations.

FYE Aug, CHFmn	2022	2023	2024	2025
Revenue	8,092.0	8,471.0	10,386.0	14,789.0
Revenue growth		*4.7%*	*22.6%*	*42.4%*
Volumes (tonnes)	2,306,681.0	2,280,925.0	2,279,811.0	2,125,420.0
Growth		*-1.1%*	*0.0%*	*-6.8%*
Gross profit	1,217.2	1,348.5	1,382.3	1,419.2
Gross margin	*15.0%*	*15.9%*	*13.3%*	*9.6%*
EBITDA	865.0	904.0	800.0	907.0
EBITDA growth		*4.5%*	*-11.5%*	*13.4%*
EBITDA margin	*10.7%*	*10.7%*	*7.7%*	*6.1%*
Net debt	1,199.0	1,308.7	3,818.0	4,301.3
Net leverage	1.4x	1.4x	4.8x	4.7x
Interest paid	104.4	125.9	178.8	352.7
Interest cover	8.3x	7.2x	4.5x	2.6x

The key driver was the spike in cocoa prices (shown in Figure 1 on the front page). This is clearly seen in the decoupling of revenues and volumes. While volumes were mostly flat over the period, revenues soared +23% in FY24 and +42% in FY25. Through FY23/24, cocoa prices fluctuated between USD4,094 per tonne and USD12,565, averaging +149% over the prior year. This was primarily driven by lower crop yields in West Africa and exacerbated by lower liquidity and high volatility in the commodities markets.[4]

The impact on cash flow

A structurally long working capital cycle, typical to the cocoa industry, includes beans purchased up to nine months before their delivery and BARY's customer payment terms extending as far as six months after delivery. This explains the large volumes of inventories seen on the balance sheet (see Table 2).

The cocoa price surge was visible in working capital inventories as BARY purchased increasingly expensive cocoa through the year. Note that 'other' inventories refer to semi-finished and finished products, as well as other raw materials and packaging materials, which explains the large increases in this line item, too. Similarly, BARY's trade payables increased as volumes contracted from suppliers rose in price.

[3] "Barry Callebaut Group Full Year Results Fiscal Year 2024-25", Barry Callebaut Investor Relations, accessed 29 Sep 2026.
[4] "Our World in Data - Cocoa bean production 2024", Food and Agriculture Organization of the United Nations, accessed 29 Sep 2026.

Table 2. Financial statement highlights. Source: Barry Callebaut Investor Relations.

FYE Aug, CHFmn	2022	2023	2024	2025
Change in inventories - cocoa beans	-92.3	-138.8	-1,456.1	386.9
Change in inventories - other	-229.2	-74.3	-1,217.1	-765.3
Write down of inventories	44.5	30.9	70.6	54.1
Inventory fair value adjustment	-47.1	-520.7	-267.2	1,066.3
Derivative financial assets / liabilities	64.8	559.1	22.8	-735.5
Trade receivables	-112.9	-213.4	-512.0	69.6
Trade payables	343.0	14.5	753.0	-535.7
Change in working capital	-29.3	-342.8	-2,606.1	-459.7
Cocoa bean stocks	849.2	1,267.6	2,694.3	1,784.0
Semi-finished and finished products	1,170.4	1,291.7	2,577.9	2,646.9
Other raw materials and packaging materials	406.8	366.5	350.7	309.1
Inventories (balance sheet)	2,426.5	2,925.7	5,622.9	4,739.9

The dramatic increase in working capital was mostly financed by debt across the capital structure. Net debt tripled YoY to CHF3.8bn and net leverage reached 4.8x in FYE Aug 2024. Over January to June 2024, BARY issued CHF1,975mn and EUR700mn of senior bonds, having increased its revolving credit facility (RCF) by EUR400mn to EUR1.3bn in December 2023.[5] While EBITDA recovered somewhat in FYE Aug 2025, leverage did not drop, as BARY issued a further CHF300mn and EUR1,750mn of senior notes that year.

The current outstanding bonds total EUR3,088mn, with the nearest maturity date 24 January 2028 (Table 3). We note that BARY has recently reduced leverage via a EUR850mn bond buyback, reducing its annual financing costs by 5% (forecast at CHF330mn in FYE Aug 2026).

Table 3. Outstanding BARY senior notes. Source: Bloomberg Finance L.P., accessed 1 Oct 2026.

ISIN	Currency	Size (mn)	Coupon	Issue Date	Maturity
CH1314941423	CHF	225	1.95%	23 Jan 2024	24 Jan 2028
BE6360448615	EUR	500.1	3.75%	19 Feb 2025	19 Feb 2028
BE6352800765	EUR	600.9	4.00%	14 Jun 2024	14 Jun 2029
CH1348614053	CHF	270	2.05%	17 May 2024	17 May 2030
CH1400064569	CHF	160	1.80%	21 Jan 2025	21 Jan 2031
BE 6360449621	EUR	500	4.25%	19 Feb 2025	19 Aug 2031
CH1314941431	CHF	375	2.30%	23 Jan 2024	23 Jan 2032
CH1348614061	CHF	220	2.40%	17 May 2024	17 May 2034
CH1400064577	CHF	140	2.10%	21 Jan 2025	22 Jan 2035

2024 offers a case study in how cocoa price volatility has a direct impact on financial performance and credit metrics at Barry Callebaut. Revenue may be higher, but profitability is significantly impaired as gross margin is constrained by the lengthy time taken to pass-through higher raw material prices. Leverage peaked at 4.8x in FYE Aug 2024, 3x higher than prior year. With EUR741mn of bonds maturing in early 2028, BARY is likely to look at refinancing next year.

[5] "Barry Callebaut Annual Report 2023-24, Barry Callebaut Investor Relations, accessed 29 Sep 2026.

How likely is a credit rating downgrade?

Triggers for downgrade by ratings agencies:

Noting BARY's exposure to cocoa supply disruption risks, Moody's could downgrade BARY if it finds a ceiling to its ability to absorb a high bean price environment through cost-plus contracts or if "*very high*" bean prices negatively impact profitability or liquidity. However, it also comments that "*ESG attributes have limited impact on the current rating*".[6]

S&P may consider continued softness in working capital, limited price pass-through and/or leverage-unfriendly actions such as shareholder returns or debt-funded acquisitions as triggers for downgrade. While it considers BARY's liquidity to be good, it notes "*increasing downside risks*" to cash flow and credit metrics.[7]

BARY's outlook:

Management's guidance for FYE Aug 2026 has identified risks including softer demand from European consumers and hyperinflation in Türkiye. This would limit revenue growth with knock-on effects on financials and credit metrics. On the other hand, cocoa prices averaged USD4,965/tonne in the year to August 2026, down -45% on prior year (Figure 1), and BARY maintains surplus inventory from the 2025/2026 crop.[8]

The deforestation occurring in the Congo Basin is contributing to climatic changes in BARY's key cocoa regions and is proving difficult for the company to influence. This increases the risk of repeated challenges to cacao yields and a return to high bean prices.

Climate impacts on cocoa production in West Africa

Cocoa beans are the seeds of the cacao plant, *Theobroma cacao*, which grows in a narrow latitudinal range around the equator. Being drought intolerant, cacao is dependent on reliable rainfall as <90% of cultivation is by smallholder farmers that have not installed irrigation. Cacao trees take 4-5 years from planting to first harvesting. Manual harvesting usually occurs twice a year.

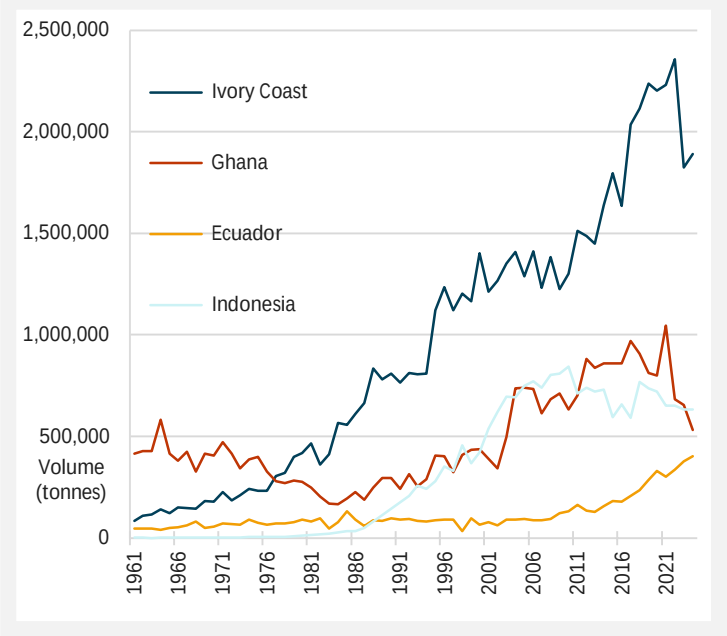
Geographically, Africa accounts for 70% of global cocoa production, primarily in the Ivory Coast (36% of global production) and Ghana (13%). Latin America accounts for 23% (Ecuador 12%) and Southeast Asia 2%.[9]Greater rainfall variability has reduced precipitation by <20% in key growing periods and increased rainfall in typically dry periods.[2] Higher average temperatures increase the risk of extreme rainfall, since warmer air carries more moisture.[10]

Further, strong El Niño-Southern Oscillation events, as anticipated for 2026,[11] will bring stronger, drier winds, reduced rainfall, and higher temperatures to West Africa, likely correlating with lower cacao yields. This can be offset by plentiful stocks of inventories, but where reserves are low, cocoa prices are more likely to rise.[12]

[6] "Moodys credit opinion March 2026", Moody's Ratings Agency, accessed 29 Sep 2026.
[7] "S&P credit opinion April 2025", Standard & Poor's Ratings Agency, accessed 29 Sep 2026.
[8] "Barry Callebaut Group 9 Months FY2026 presentation", Barry Callebaut Investor Relations, accessed 29 Sep 2026.
[9] "Cocoa facts and figures", Swiss Platform for Sustainable Cocoa, accessed 29 Sep 2026.
[10] "Rainfall Extremes Drive Cocoa Yield Losses Across the Tropics", Proceedings of the National Academy of Sciences, Sep 2026.
[11] "El Nino / La Nina Update", World Meteorological Organisation, Aug 2026.
[12] "El Nino and West African cocoa risk", Treefera, Sep 26.

Heavy rains during the flowering season can dislodge pods and cause fungal rot, causing outbreaks of pests and diseases to increase.[13] The *Phytophthora* black pod rot that blighted crops in 2024 is so laborious and expensive to control by fungicides that smallholders are often forced to leave it untreated, making production highly vulnerable.[14] In 2024, yields contracted by 23% compared to the prior year in Ivory Coast. Ghana's yields were 38% lower than their 2022 peak, as shown in Figure 2.

Figure 2. Cocoa production in largest producing countries, 1961 – 2024. Source: The World in Data, accessed 30 Sep 2026.



The largest cocoa exporting countries, Ivory Coast and Ghana, have cocoa plantations that depend on predictable moisture patterns generated by Congo Basin rainforests and conveyed by the African Easterly Jet winds.[15]

They are highly exposed to changing weather patterns caused by the substantial deforestation in the central-African region, particularly the Congo Basin.[16] This deforestation is the consequence of small-scale agriculture practices conducted by rural populations, smallholders, and local communities,[17] as well as illegal logging on an industrial scale. At current rates, as much as "*27% of the forest could be destroyed by 2050*".[18] This is beyond the control of cocoa consumers, including BARY, which has supply chains focused in West African countries, and only sources a small amount direct from the Congo Basin.

Climate change, deforestation in the Congo Basin, and a strong El Niño are all disrupting normal seasonal fluctuations in rainfall and temperatures. This represents several headwinds for cocoa production linked to climate change that could pose challenges for Barry Callebaut's supply of raw materials.

BARY's response to cocoa production challenges:

BARY established mitigating strategies for cocoa shortages in 2024: reducing the cocoa content in products, reducing retail package sizes, and increasing prices to pass-through input costs. BARY also focused on higher margin segments, including Gourmet where demand proved to be more resilient.[19]

BARY's customer contracts are on a 'cost-plus' model, where pricing varies depending on the cost of production, i.e. the cost of raw materials. This is critical to protecting profitability when contract negotiations fail to keep pace with raw material price volatility. Given the impact of higher prices on gross margins, any slow pass-through of prices has a dramatic impact on working capital and cash flows. Increases in the cost of

[13] "Chocolate's climate crisis", The Salata Institute for Climate and Sustainability, Harvard University, 16 Oct 2025.
[14] "Evaluating Black Pod Resistance in Cocoa", Beverage Plant Research, Oct 2024.
[15] "Generation of the African Easterly Jet and Its Role in Determining West African Precipitation", ResearchGate, May 1999.
[16] "Congo Basin forests at risk of continuous loss by 2050", WWF, Apr 2025.
[17] "Small Scale Agriculture Continues to Drive Deforestation in the Congo Basin", ScienceDirect, Nov 2023.
[18] Pg. 61 "The Forests of the Congo Basin, State of the Forests 2021", Centre for International Forestry Research, 2022.
[19] Pg. 18 "Barry Callebaut Group Full Year Results Fiscal Year 2023 / 24", Barry Callebaut Investor Relations, accessed 30 Sep 2026.

other ingredients — like sugar and milk powder — and production, energy, shipping, insurance and staff costs all add to pressure on producer margins.

Longer term, there are very few alternatives to the unique taste of the cacao plant. BARY is developing the use of 'cacao coatings', an alternative that is based on vegetable fats but still requires cocoa powder.[20] Other options include carob, barley, sunflower seeds, and fava beans. However, matching the flavour, mouthfeel, and melting point of cacao at sufficient scale is challenging.[21]

Geographical diversification of the supply chain into other cocoa growing regions is the first step to replacing West African cacao production. Latin America is the second-largest producing region globally and yields have been more stable. Regionally, Latin America returned +6% greater volumes in FYE August 2025, which suggests the market is less mature and still offers room for organic growth over market share capture.[22] BARY has increased its Latin American volumes by 4.5% c.a.g.r. since 2024 (when it first began splitting out this region's volumes), although it remains a small contributor at 3.0% of total group volume. [23]

However, altering the supply chain is a lengthy process with limited substitution potential: trees take 4-5 years to reach maturity, and Ecuador produced 403.7k tonnes of cocoa in 2024, only 21% of Ivory Coast's 1,890.4k tonnes.[24] It will not be easy to replicate the necessary growing conditions to replace production capabilities lost in West Africa. It should also be considered that land would need to be converted to cacao plantations, risking further deforestation.

Impact on end markets

Although cocoa prices have retreated from their 2024 peak, retail prices have not fallen in tandem. Other costs along the production chain have also increased, including for other raw materials, packaging, labour, energy, and shipping. The UK consumer price index, for example, has increased by 3.3% over the 12 months to August 2026.[25] For the consumer, a reduction in the cost of chocolate is unlikely, and any further cocoa shortages will lead to lower cocoa percentages in lower value products, higher prices in more premium products, and smaller product sizes in general.[26]

In the event of future cocoa shortages, BARY's ability to diversify supply quickly enough to protect its margins is limited. Ongoing mitigation is critical to maintaining volumes and protecting working capital to achieve financial stability.

BARY's scorecard on tracking deforestation within its supply chain

Historically, AFII's work related to deforestation has identified issuers that have substantial deforestation exposure. While the predominant financial materiality for BARY may be its exposure to deforestation for which it may not be directly responsible, (i.e. the climate-related impacts of other parties' deforestation

[20] "Cacao coatings solutions", Barry Callebaut, accessed 30 Sep 2026.
[21] "Cocoa alternatives, the future of the chocolate industry", The Mills Fabrica, accessed 30 Sep 2026.
[22] "Barry Callebaut Group Full Year Results Fiscal Year 2024 / 25", Barry Callebaut Investor Relations, accessed 30 Sep 2026.
[23] "Barry Callebaut Group Half Year Results 2025-26", Barry Callebaut Investor Relations, accessed 30 Sep 2026.
[24] "Our World in Data - Cocoa bean production 2024", Food and Agriculture Organization of the United Nations, accessed 29 Sep 2026.
[25] "Consumer price index", Office for National Statistics, accessed 30 Sep 2026.
[26] "There's more to the rising cost of chocolate than the price of cocoa", Edinburgh Impact, The University of Edinburgh, Feb 2026.

activities) we have also considered how BARY is influencing potential land-use change within its direct network of suppliers.

The main data source used in our deforestation work is Forest IQ, a non-profit platform that consolidates several datasets capturing corporate actions on deforestation.[27] We use this to create the Deforestation Debt Universe, a subset of issuers that are both substantially exposed to deforestation in their supply chains and of significance to fixed income investors.[28]

Forest IQ rates BARY as a significant consumer in both cocoa and palm oil, with 3/5 deforestation exposure (where 3 represents "High Exposure", up to a maximum score of 5/5, "Critical Exposure") and 3/5 financial materiality scores (again, 3/5 is "High Materiality", and maximum 5/5 "Critical Materiality"). BARY's performance reporting and action reporting scores are weaker for cocoa than for palm oil, perhaps reflecting the difficulty in gathering information from a more fragmented supplier base.

Comparable analysis

We have compared BARY with similar names in our Deforestation Debt Universe: Cargill, Danone, Louis Dreyfus, Mars, Mondelez, Nestle, and Unilever. These are all consumer goods companies with high to critical exposure to palm oil and cocoa.[29]

Forest IQ's Palm oil assessment

BARY is mid-tier, with moderate results on most metrics as shown in Table 4. We can look to Danone and Unilever for robust performance and action scores in palm oil. Forest IQ comments that reporting progress on at least one human rights indicator within its palm oil supply chain could improve its position on the Deforestation-free Transition (DEFT) Pathway status.[30]

Table 4. Palm oil deforestation scores for select issuers. Source: Forest IQ, accessed 22 Sep 2026.

Palm Oil	Ticker	Metric 1 Deforestation Exposure: Score/5	Metric 2 Financial materiality: Score/5	Metric 3 (3.1 & 3.2) Performance reporting: Score/10	Metrics 3.1a & 3.1b Commitments strength: Score/4	Metrics 3.2a, 3.2b, 3.2c Actions reporting: Score/6
BARRY CALLEBAUT AG	BARY	3	3	7	3.5	3.5
CARGILL INC	CARGIL	5	3	4.3	2.5	1.8
DANONE, GROUPE	BNFP	4	3	8.5	3.5	5
LOUIS DREYFUS COMPANY	LOUDRE	4	3	3.5	3	0.5
MARS INC	MARS	5	3	8	4	4
MONDELEZ INTERNATIONAL INC	MDLZ	5	3	4.5	3	1.5
NESTLE S.A.	NESNVX	3	3	6.5	3.5	3
UNILEVER	UNANA	3	3	8.5	3.5	5

[27] "Forest IQ", Forest IQ, accessed 29 Sep 2026.
[28] For more details on this work please see "Deforestation Debt Universe: update", AFII, 29 Jan 2026.
[29] Note the Deforestation Debt Universe is focused on six commodities, soy, palm oil, beef, leather, timber, and pulp & paper, although data for cocoa exposure is also available.
[30] "Barry Callebaut DEFT Pathway", Forest IQ, accessed 29 Sep 2026.

Forest IQ's Cocoa assessment

Table 5 gives details of the scores for cocoa. BARY falls short on its performance and action reporting scores, although not to the degree of Louis Dreyfus and Mondelez. No company scores particularly well on these two metrics, however. In part, this may be due to more challenging data collection from a highly fragmented supplier base of independent smallholders.

Table 5. Cocoa deforestation scores for select issuers. Source: Forest IQ, accessed 22 Sep 2026.

Cocoa	Ticker	Metric 1 Deforestation Exposure: Score/5	Metric 2 Financial materiality: Score/5	Metric 3 (3.1 & 3.2) Performance reporting: Score/10	Metrics 3.1a & 3.1b Commitments strength: Score/4	Metrics 3.2a, 3.2b, 3.2c Actions reporting: Score/6
BARRY CALLEBAUT AG	BARY	3	3	4.5	3	1.5
CARGILL INC	CARGIL	5	3	3	2	1
DANONE, GROUPE	BNFP	4	3	6.5	3.5	3
LOUIS DREYFUS COMPANY	LOUDRE	3	3	1.5	1.5	0
MARS INC	MARS	5	3	5	3.5	1.5
MONDELEZ INTERNATIONAL INC	MDLZ	5	3	4	3	1
NESTLE S.A.	NESNVX	3	3	6	3.5	2.5
UNILEVER	UNANA	4	3	6	3.5	2.5

Forest 500

Forest 500 is one of the data providers that feeds into Forest IQ and provides useful direct insights into company deforestation performance. Forest 500 scores BARY 47% overall,[31] with its core commodities — cocoa and palm oil — scoring 47/92 and 58/92, respectively. Cocoa underperforms on implementation due to limited publicly available evidence provided by BARY. It is also penalised for its performance on the coffee and pulp & paper commodities. This seems overstated for BARY's profile given the absence of any reference to either commodity within the FYE Aug 2025 Annual Report or Social & Environmental Report and their insignificance to BARY's business activity. It does, however, make BARY the laggard among its peers, behind the outperformers Unilever (79%) and Nestle (71%) and also Mondelez, the second weakest at 49%.

EUDR compliance

Compliance with the EU's Deforestation Regulation is mandatory from 30 December 2026 and requires fully traceable raw materials, geolocation mapping, and confirmation of deforestation-free activity.[32]

BARY has mapped 1.5+mn cocoa farms using geolocation data to meet traceability requirements and intends to cover all directly sourced volumes. On its indirectly sourced cocoa, BARY is "*actively working*" with its suppliers, including assessing their due diligence systems.

BARY reports that 81.8% of sourced raw material volumes are not linked to deforestation in FYE Aug 2025, up from 46.5% the previous year. This increase is due to improved transparency from suppliers, as well as BARY's own monitoring and polygon mapping (the use of GPS to accurately record smallholder plantation

[31] "Barry Callebaut Forest 500", Forest 500, accessed 29 Sep 2026.
[32] "Is Mondelez International prepared for EUDR?", AFII, 30 Jul 2026.

boundaries). These volumes include 93.6% of BARY's directly sourced cocoa and 45.6% of non-cocoa ingredients, reflecting the requirement for more traceability of suppliers of sugar, dairy, and palm oil — all key ingredients.[33] While sourcing is not yet fully verified, BARY aims to have 100% of its cocoa and other ingredients "*certified or verified and traceable to farm level*" by 2030. This suggests a likely gap to the traceability requirements for EUDR compliance by the end of this year.

Forest IQ's analysis reveals that BARY's scores and comparable analysis are in line with peers, but Forest 500 attributes more importance to publicly available evidence, rating it below its Deforestation Debt Universe comparable issuers. While BARY is making clear efforts to improve traceability in its supply chain, it looks likely to fall short of the full requirements for supply segregation for EUDR when it is implemented at the end of 2026.

Conclusions

Climate change linked to deforestation in the Congo Basin has impacted the largest global cocoa growing regions in Ivory Coast and Ghana. Its effects, namely rainfall fluctuations and disease, contributed to reduced 2024 cocoa yields and sent prices 5x higher than early 2023. The impact on BARY was severe, resulting in weaker margins and stress on inventory valuations, and demanding greater debt to cover the structurally long working capital cycle.

Ongoing forest clearance in the Congo Basin and the risk from El Niño create a challenging outlook for BARY's cacao plantation suppliers. There are potential near-term climate change-related risks to BARY's cocoa suppliers which have minimal ability to mitigate the impact.

Given the limited alternatives to cocoa, the options for BARY to respond are few and largely unattractive to the retail consumer – reduced cocoa percentages, smaller product sizes, and price increases. In the longer term, adaptation may require greater sourcing of cocoa from other regions such as Ecuador or Indonesia.

BARY is working to achieve EUDR compliance and has made considerable progress in FY25 in mapping its cocoa suppliers and tracing its raw materials. Despite the challenges of verifying a heavily fragmented and professionally unsophisticated supplier base, BARY has targeted 100% certification or verification by 2030, which is outside the compliance period for this regulation.

A downgrade of BARY's corporate debt ratings is possible in the event of elevated bean prices and weaker working capital, both probable consequences of climate change-related deforestation. We expect BARY's management to continue focusing on protecting sales volumes and reducing leverage, both critical to maintaining ratings where headroom is low.

BARY's resilience will clearly be tested by the effects of deforestation as well as broader climate change and geopolitics. Repeated or chronic interruptions to the largest producing regions will need to be proactively mitigated. Investors should consider engaging at the time of FY results publication, expected in early November and/or when refinancing of the callable bonds occurs.

[33] "Barry Callebaut Annual Social and Environmental Impact Report 2024_25", Barry Callebaut Investor Relations, accessed 29 Sep 2026.

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