NATURE LOSS

Is Mondelēz International prepared for EUDR?

Prahalad Prasad* | 31 Jul 2026 | 9 minute read

SUMMARY

- EUDR applies from 30 Dec 2026; Mondelēz International is in scope
- The company appears unprepared – it still uses mass balance cocoa sourcing and actively lobbied for a 12m delay
- Failure to comply with EUDR can be financially material – Europe is Mondelēz's largest revenue generating region and maximum fines are at least 4% of EU turnover
- AFII's Bond Horizon tool ranks Mondelēz highly, meaning upcoming issuance is likely – an engagement opportunity for investors

The EU Deforestation Regulation (EUDR) requires companies to demonstrate that the products they sell or export to the EU do not come from land that was recently deforested. It is due to be implemented from 30 Dec 2026 for large and medium-sized companies (full details overleaf). Mondelēz International (ticker MDLZ), one of the world's largest snack companies, is in scope and will be impacted by the new regulations.

The company is exposed to two primary commodities covered by EUDR, via cocoa and palm oil. Soy and pulp & paper (wood-based packaging) have also been identified as relevant within Mondelēz's broader footprint.

This exposure to deforestation-linked commodities means Mondelēz forms part of AFII's Deforestation Debt Universe, a comprehensive set of significant fixed income issuers highly exposed to deforestation through their supply chains.[1] The company currently has c.USD19bn of bond debt outstanding.

With EUDR due to be practically implemented later this year, reports and analysis of the company's policies seem to suggest that it is unprepared. Indeed, Mondelēz lobbied for a 12-month delay to EUDR implementation last year, while its mass balance cocoa sourcing policy seems incompatible with EUDR requirements. Although the company's commitments appear to be strong, reports have indicated weak implementation and potential links to deforestation.

The company's Q2 results, announced earlier this week, highlight how Europe is Mondelēz's largest revenue segment by geography.[2] This indicates how EUDR non-compliance could be financially material for the company, as fines can be at least 4% of annual EU turnover.[3] The results make almost no reference to EUDR.

Given the proximity and possible impact of EUDR implementation, Mondelēz's preparedness for the regulation is worthy of consideration by bondholders. Our Bond Horizon tool ranks companies on the likelihood that they will issue in the next three months, with Mondelēz the 7th highest issuer from the Deforestation Debt Universe, indicating a high probability of coming to market soon. This supports investors in focusing their engagement ahead of any capital markets activity from the company.

[1] "Deforestation Debt Universe: update", AFII, 29 Jan 2026.
[2] "Form 10-Q", SEC, 28 Jul 2026.
[3] For another case study on financial risks of EUDR non-compliance, please see "Cargill's EUDR compliance: risks of a soy-prise", AFII, 14 Jun 2024.

*Author to contact: pra@anthropocenefii.org. See important disclaimer.

Recap of EU Deforestation Regulation (EUDR)

The EUDR was brought into force on 29 Jun 2023,[4] designed to promote the consumption of 'deforestation-free' products and thereby reduce the EU's impact on global deforestation.

The key points of EUDR are:

- In-scope commodities are cattle, wood, cocoa, soy, palm oil, coffee, rubber and products derived from these goods (e.g. pulp & paper derived from wood).
- The EUDR covers the full supply chain, i.e. both direct and indirect suppliers.
- Commodities and products in scope shall not be placed or made available on the market or exported, unless they are deforestation-free; they have been produced in accordance with the relevant legislation of the country of production; and they are covered by a due diligence statement.
- The cut-off for deforestation is land that has not been converted, human-induced or otherwise, from forest to agricultural use after 31 Dec 2020.[5]

The regulation was originally meant to be implemented in Dec 2024, but has been delayed twice,[6] meaning it will now be applied to large and medium operators from 30 Dec 2026.

Potential penalties for non-compliance are high; fines can be a maximum of at least 4% of a company's EU turnover, products can be confiscated, which can lead to significant handling charges, and/or the company can be excluded from the EU market.[7]

Mondelēz International & deforestation

Policies and exposure

Mondelēz International is one of the world's largest snack manufacturers, and is consequently exposed to several of the in-scope EUDR commodities: cocoa, palm oil, soy and pulp & paper (through wood).

The company's goal is no deforestation across primary commodities, which started with its European business and was rolled out globally by 31 Dec 2025.[8] It has its own cocoa sourcing programme (further details below), and a Palm Oil Action Plan requiring suppliers to map and monitor all plantations. Mondelēz also states that it is transitioning to the No Deforestation, No Peatland, No Exploitation Implementation Reporting Framework (NDPE IRF).[9]

The company also features in AFII's Deforestation Debt Universe, a comprehensive group of large bond issuers significantly exposed to deforestation. Mondelēz features in the universe on account of its exposure to palm oil, soy and pulp & paper. In the case of the palm oil and soy, Forest IQ data reveals that Mondelēz is

[4] "Regulation on Deforestation-free products", European Commission, accessed 27 Jul 2026.
[5] "Regulation (EU) 2023/1115", EUR-Lex, accessed 27 Jul 2026.
[6] "EU deforestation regulation U-turn", AFII, 21 Nov 2024.
[7] "10 key things to know about the new EU Deforestation Regulation", White & Case, 20 Dec 2024.
[8] "Climate Action", Mondelēz International, accessed 29 Jul 2026.
[9] "Deforestation", Mondelēz International, accessed 29 Jul 2026.

critically exposed as a manufacturer, meaning it creates the final products sold to retailers or consumers.[10] Indeed, manufacturers can have significant influence over deforestation, "*by adopting policies that rule out the use of commodities from deforested land*".[11] The same argument applies to cocoa – while not included in our original universe, it is a relevant commodity for Mondelēz and in-scope of the EUDR.

Performance

Recent reports have linked the company's cocoa and palm oil activities to deforestation,[12] while environmental organisation Rainforest Action Network ranked Mondelēz last among ten consumer goods peers evaluated on their policies and implementation of the NDPE standard.[13]

Mondelēz also refused to participate in the NGO coalition Voice Cocoa Network's Chocolate Scorecard,[14]in contrast to peers, and has declined to comment on multiple occasions when allegations of deforestation have been raised.

Mondelēz is highly exposed to deforestation in its commodities usage, and reports suggest it may not be adequately managing these risks.

Potential EUDR impact

As a large operator, Mondelēz is in scope for the EUDR. As per the company's Q2 results announced earlier this week, c.36% of net revenues were from Europe, the largest share.[15] Failure to comply with the regulation could have significant impacts on the company, given the potential penalties outlined above.

There is little mention of EUDR in Mondelēz's results presentation or CEO prepared remarks.[16,17] Below we outline two possible concerns as to why the company could be unprepared for EUDR's implementation at the end of this year.

Sourcing concerns

Mondelēz sources the cocoa for its products through its Cocoa Life programme, a USD1bn investment launched in 2012 through to 2030 to source cocoa more sustainably.[18] In 2025, the company achieved its target of sourcing 100% of cocoa volume through the initiative.[19]

Mondelēz uses a mass balance approach for its cocoa sourcing, a method that "*allows for certified and non-certified ingredients to become mixed during the shipping and manufacturing processes*".[20] This has historically been standard in the cocoa industry. However, the approach has been criticised for being ineffective at preventing deforestation, as there is no direct traceability of non-certified commodity batches to their specific origin, meaning even if they are combined with certified batches, one cannot guarantee the

[10] This data is at 7 Jan 2026 and was obtained under license from Global Canopy as part of its proprietary Forest IQ project https://forestiq.com More up-to-date data may be available from Forest IQ.
[11] "Company Selection Methdology 2024", Global Canopy, accessed 29 Jul 2026.
[12] "Compliance Checker Company Profile: Mondelēz International", AidEnvironment, Dec 2025.
[13] "Keep Forests Standing Scorecard", Rainforest Action Network, 2 Dec 2025.
[14] "7th Edition Scorecard", accessed 29 Jul 2026.
[15] "Form 10-Q", SEC, 28 Jul 2026.
[16] "Q2 2026 Results", Mondelēz International, 28 Jul 2026.
[17] "Second Quarter 2026 Earnings Prepared Remarks", Mondelēz International, 28 Jul 2026.
[18] "BUILDING A MORE PROMISING FUTURE FOR COCOA FARMING COMMUNITIES", Cocoa Life, accessed 29 Jul 2026.
[19] "2025 Snacking Made Right Report", Mondelēz International, 15 Apr 2026.
[20] "What is Mass Balance Sourcing?", Rainforest Alliance, 7 Jul 2026.

final product is deforestation-free.[21] Segregated or identity-preserved sourcing approaches exist as traceable supply chain alternatives.[22]

The company also seems to use mass balance as part of its sourcing of palm oil, disclosing this as part of its Roundtable on Sustainable Palm Oil (RSPO) reporting.[23] However, this approach forms a small part of Mondelēz's palm oil sourcing, and the company itself constitutes ~0.5% of global palm oil demand.[24]

A key requirement of EUDR is strict traceability, with the regulation demanding precise geolocation of a commodity production area.[25] However, as a typical mass balance approach will blend certified ingredients with those sourced from potentially deforested land, it is not permitted under EUDR, as it does not guarantee that the products are deforestation-free.[26]

Given Mondelēz's use of this approach for its cocoa sourcing, it could potentially be unprepared for EUDR's upcoming implementation. Indeed, reports highlight how mass balance has meant the company is exposed to deforestation risk, for example in Liberia.[27] Moving away from mass balance can be difficult and costly,[28] meaning if Mondelēz chooses to comply with EUDR, it could be expensive for the company. While alternative sourcing options such as 'controlled' mass balance are emerging,[29] it is unclear how organisations will adopt this and whether it is EUDR compliant.

Lobbying for EUDR delay

Another potential indication that Mondelēz may be unprepared for EUDR is the fact that it lobbied last year for a 12-month delay in the implementation of the regulation, reasoning that smallholder farmers (particularly in Africa) were not ready to comply with the traceability requirements.[30] However, even though EUDR will be enforced from the end of 2026, this is only for large and medium-sized companies. The deadline for small and micro enterprises is 30 Jun 2027 (this adjustment to the regulation was confirmed in Dec 2025). Although small suppliers may have more time, Mondelēz's EUDR compliance could be contingent on its suppliers being prepared for the earlier deadline.

While the lobbying, by Mondelēz and others, may have contributed to the delay, it was opposed by several of Mondelēz's peers, including Nestlé, Tony's Chocolonely and Ferrero. These organisations jointly signed an open letter urging the European Commission not to postpone the regulation, warning that further delay risked environmental consequences and undermined trust in the EU's regulatory commitments.[31] Further letters to the Commission earlier this year have underscored the same message.[32]

If Mondelēz is unprepared for EUDR implementation, this could be financially material for the company, and so is relevant for its bond investors.

[21] "Can Mass Balance Systems Stop Deforestation?", LinkedIn, 26 Feb 2025.
[22] "Navigating EUDR: compliance and beyond | Cocoa", ISEAL, accessed 29 Jul 2026.
[23] "Mondelez International, Inc", Roundtable on Sustainable Palm Oil, accessed 30 Jul 2026.
[24] "Deforestation", Mondelēz International, accessed 30 Jul 2026.
[25] "Navigating EUDR: compliance and beyond | Cocoa", ISEAL, accessed 30 Jul 2026.
[26] P.6, "Frequently Asked Questions: Implementation of the EU Deforestation Regulation", EEAS, accessed 29 Jul 2026.
[27] "Chocolate giants fuel deforestation in West Africa's last rainforest", Global Witness, Nov 2025.
[28] "Traceability in Fairtrade supply chains", Fairtrade International, accessed 29 Jul 2026.
[29] "Choosing the right chain of custody model for supply chain impact", ISEAL, 30 Oct 2025.
[30] "Mondelez urges further delay to EU deforestation law", Just Food, 8 Jul 2025.
[31] "The European Union Regulation on deforestation-free products (EUDR)", Euractiv, 2 Oct 2025.
[32] "Call on European Commission not to reopen EU Deforestation Regulation at conclusion of review", Solidaridad Network, 17 Mar 2026.

Considerations for bond investors

Mondelēz is a regular issuer in capital markets, with c.USD19bn of bonds outstanding. It most recently printed a CHF850mn triple-tranche deal in March this year,[33] and has c.USD7.1bn equiv. of debt maturing by the end of 2029.

AFII's Bond Horizon tool ranks issuers on the likelihood that they will issue bonds in the next three months.[34] This can aid investors in focusing their engagement ahead of any capital markets activity.[35] In the latest data release, Mondelēz is the 7th highest issuer from the Deforestation Debt Universe (all of which are included), indicating a high probability of coming to market in the next three months. This timing can be combined with AFII's toolkit for bondholder engagement to support investor engagement objectives.[36]

A potential issuance provides investors with the opportunity to engage with Mondelēz on the concerns outlined in this paper and assess the company's latest progress.

Conclusions

EUDR will be coming into effect from 30 Dec 2026, having been delayed twice. Mondelēz International, one of the world's largest snack manufacturers, will be affected, given its size and exposure to key EUDR commodities (cocoa, palm oil, soy, pulp & paper). These factors also mean the company is part of AFII's Deforestation Debt Universe – its debt outstanding and exposure to deforestation mean the company is worthy of analysis by bond investors.

While the company targets no deforestation in sourcing these commodities, reports have linked it with the issue in multiple countries. Failure to comply with EUDR is likely to be financially material for Mondelēz, given Europe is its largest revenue generating region, and fines can be a maximum of at least 4% of annual EU revenue. Its mass balance sourcing approach for cocoa, coupled with lobbying for a delay in the regulation, suggests the company may be unprepared.

For bondholders, this firstly offers an engagement opportunity, to understand how the company is readying itself for EUDR. Engagement can be most effective when a company issues in primary markets, and Mondelēz may be likely to do so soon, as denoted by our Bond Horizon tool. This offers a window of maximum influence for investors, when the company may be preparing to access capital markets.

[33] "Mondelēz bites into Swiss francs with jumbo deal", GlobalCapital, 27 Mar 2026.
[34] "Bond Horizon", AFII, accessed 29 Jul 2026.
[35] For a deforestation and engagement case study, please see "AMAGGI: engagement opportunity for bondholders", AFII, 21 May 2026.
[36] The toolkit can be explored along with papers on its scoring method "Bondholder engagement toolkit", AFII, accessed 29 Jul 2026.

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