

KRAFT FOODS INC
Form DEF 14A
March 31, 2009
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Kraft Foods Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

Edgar Filing: KRAFT FOODS INC - Form DEF 14A

- x No fee required.
- .. Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

KRAFT FOODS INC.

IRENE B. ROSENFELD
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER

THREE LAKES DRIVE
NORTHFIELD, ILLINOIS 60093

MARCH 31, 2009

Dear Fellow Shareholder:

You are cordially invited to attend the 2009 Annual Meeting of Shareholders of Kraft Foods Inc. We will hold the Annual Meeting at 9:00 a.m. CDT on Wednesday, May 20, 2009, at the North Shore Center for the Performing Arts in Skokie, Illinois. The center will open at 8:00 a.m. CDT.

At the Annual Meeting, you will elect directors; vote on Kraft Foods' Amended and Restated 2005 Performance Incentive Plan, the ratification of the selection of independent auditors, and a shareholder proposal; and consider any other business properly presented at the meeting. We will also report on our business and provide time for your questions and comments.

I am pleased to tell you that we are taking advantage of the U.S. Securities and Exchange Commission rule allowing companies to furnish proxy materials to shareholders via the Internet. This process, known as e-proxy, has several benefits: (1) it gets proxy materials to you more quickly, (2) it reduces the environmental impact of our Annual Meeting, and (3) it lowers our costs. We have also decided against producing a glossy annual report. This will significantly reduce printing and production costs, and it has an added sustainability benefit because it requires less paper. You will find comprehensive information about our performance in the Annual Report on Form 10-K for the year ended December 31, 2008.

On March 31, 2009, we mailed to our shareholders a Notice containing instructions on how to access and review our 2009 Proxy Statement and Annual Report on Form 10-K and to vote online. If you would like to receive a paper copy of our proxy materials, follow the instructions for requesting these materials in the Notice.

Only shareholders of record at the close of business on March 12, 2009 are entitled to vote at the Annual Meeting or any adjournments or postponements of the Annual Meeting.

You may vote your shares via the Internet or by calling a toll-free number. If you received a paper copy of the proxy card or voting instruction form by mail, you may sign, date, and mail your properly executed proxy card or voting instruction form. Or you may vote in person at the Annual Meeting. We include instructions about each option in the attached Proxy Statement and on the enclosed proxy card or voting instruction form. Your vote is important to us. Whether or not you plan to attend the Annual Meeting, I encourage you to vote promptly.

Please register in advance if you would like to attend the Annual Meeting. The pre-registration directions are provided in the attached Proxy Statement.

On behalf of the Board of Directors, thank you for your continued interest and support.

Sincerely,

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

FOR THE ANNUAL MEETING OF SHAREHOLDERS

Edgar Filing: KRAFT FOODS INC - Form DEF 14A

Kraft Foods Inc. Proxy Statement and Annual Report on Form 10-K

are available at <http://materials.proxyvote.com/50075N>.

Table of Contents

KRAFT FOODS INC.

Three Lakes Drive

Northfield, Illinois 60093

NOTICE OF 2009 ANNUAL MEETING OF SHAREHOLDERS OF KRAFT FOODS INC.

TIME AND DATE: 9:00 a.m. CDT on Wednesday, May 20, 2009.

PLACE: North Shore Center for the Performing Arts in Skokie
9501 Skokie Boulevard
Skokie, Illinois 60077

ITEMS OF BUSINESS:

- (1) To elect ten directors;
- (2) To approve the Amended and Restated 2005 Performance Incentive Plan;
- (3) To ratify the selection of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2009;
- (4) To act on a shareholder proposal regarding special shareholder meetings; and
- (5) To transact other business properly presented at the meeting.

BOARD RECOMMENDATION: The Board recommends that shareholders vote *for* Items 1, 2, and 3 and *against* Item 4.

WHO MAY VOTE: Shareholders of record at the close of business on March 12, 2009.

DATE OF DISTRIBUTION: We began mailing our Notice of Internet Availability of Proxy Materials on or about March 31, 2009. For shareholders who elect to receive paper copies, we began mailing the Proxy Statement, our Annual Report on Form 10-K for the year ended December 31, 2008, and the proxy card on or about March 31, 2009.

MATERIALS AVAILABLE AT www.kraftfoodscompany.com: This Notice of Meeting, the Proxy Statement, and our Annual Report on Form 10-K for the year ended December 31, 2008, are available at www.kraftfoodscompany.com/investor. Information included on our Web site, other than these materials, is not part of the proxy soliciting materials.

Edgar Filing: KRAFT FOODS INC - Form DEF 14A

Carol J. Ward

Vice President and Corporate Secretary

March 31, 2009

Table of Contents**TABLE OF CONTENTS**

	Page
<u>QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING</u>	1
<u>CORPORATE GOVERNANCE</u>	8
<u>Corporate Governance Guidelines</u>	8
<u>Code of Business Conduct and Ethics for Directors and Code of Conduct for Compliance and Integrity</u>	8
<u>Corporate Governance Materials Available at www.kraftfoodscompany.com/investor and from our Corporate Secretary</u>	8
<u>Director Independence</u>	8
<u>Executive Sessions of the Board</u>	9
<u>Meeting Attendance</u>	9
<u>Communications with the Board</u>	9
<u>Committee Membership</u>	9
<u>PUBLIC AFFAIRS COMMITTEE MATTERS</u>	10
<u>FINANCE COMMITTEE MATTERS</u>	10
<u>NOMINATING AND GOVERNANCE COMMITTEE MATTERS</u>	11
<u>Process for Nominating Directors</u>	11
<u>ITEM 1. ELECTION OF DIRECTORS</u>	12
<u>ITEM 2. APPROVAL OF THE AMENDED AND RESTATED 2005 PERFORMANCE INCENTIVE PLAN</u>	15
<u>Introduction</u>	15
<u>Summary of the Amended Plan</u>	16
<u>United States Federal Income Tax Consequences</u>	20
<u>Other Information</u>	21
<u>AUDIT COMMITTEE MATTERS</u>	22
<u>Audit Committee Report for the Year Ended December 31, 2008</u>	22
<u>Pre-Approval Policies</u>	23
<u>Independent Auditors Fees</u>	23
<u>ITEM 3. RATIFICATION OF THE SELECTION OF INDEPENDENT AUDITORS</u>	24
<u>ITEM 4. SHAREHOLDER PROPOSAL REGARDING SPECIAL SHAREHOLDER MEETINGS</u>	25
<u>OTHER MATTERS THAT MAY BE PRESENTED AT THE ANNUAL MEETING</u>	26
<u>COMPENSATION COMMITTEE MATTERS</u>	27
<u>Compensation Committee Interlocks and Insider Participation</u>	27
<u>Responsibilities</u>	27
<u>Processes and Procedures</u>	27
<u>Independence of Compensation Consultant to the Compensation Committee</u>	28
<u>Compensation of Directors</u>	29
<u>2008 Director Compensation Table</u>	29
<u>2008 Non-Employee Director Stock Awards Table</u>	30
<u>Compensation Committee Report for the Year Ended December 31, 2008</u>	30
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	31
<u>Recent Compensation Changes Focused on Driving Higher Levels of Performance</u>	31
<u>Our Compensation Program Design</u>	32
<u>Elements of Executive Compensation</u>	38
<u>Compensation Paid to Named Executive Officers in 2008</u>	45
<u>Policy With Respect To Qualifying Compensation for Tax Deductibility</u>	48
<u>Policy on Recoupment of Executive Incentive Compensation in the Event of Certain Restatements</u>	48
<u>Anti-Hedging Policy and Trading Restrictions</u>	48
<u>EXECUTIVE COMPENSATION TABLES</u>	49

Edgar Filing: KRAFT FOODS INC - Form DEF 14A

<u>2008 Summary Compensation Table</u>	49
<u>2008 Grants of Plan-Based Awards</u>	51
<u>2008 Outstanding Equity Awards at Fiscal Year-End</u>	52
<u>2008 Stock Vested</u>	53
<u>2008 Pension Benefits</u>	53
<u>Retirement Benefits</u>	54

Table of Contents

	Page
<u>2008 Non-Qualified Deferred Compensation</u>	55
<u>Potential Payments Upon Termination or Change in Control</u>	55
<u>OWNERSHIP OF EQUITY SECURITIES</u>	60
<u>CERTAIN RELATIONSHIPS AND TRANSACTIONS WITH RELATED PERSONS</u>	61
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	62
<u>2010 ANNUAL MEETING OF SHAREHOLDERS</u>	62
<u>Shareholder Proposals for the 2010 Annual Meeting</u>	62
<u>EXHIBIT A: ANNEX A TO KRAFT FOODS INC. BOARD OF DIRECTORS CORPORATE GOVERNANCE GUIDELINES</u>	A-1
<u>EXHIBIT B: KRAFT FOODS INC. AMENDED AND RESTATED 2005 PERFORMANCE INCENTIVE PLAN</u>	B-1
<u>EXHIBIT C: EXCERPT FROM KRAFT FOODS INC. AMENDED AND RESTATED BY-LAWS</u>	C-1
<u>EXHIBIT D: GAAP TO NON-GAAP RECONCILIATIONS</u>	D-1
<u>MAPS AND DIRECTIONS</u>	

Table of Contents

KRAFT FOODS INC.

Three Lakes Drive

Northfield, Illinois 60093

March 31, 2009

PROXY STATEMENT

FOR 2009 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON MAY 20, 2009

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

1. When and where is the Annual Meeting?

Kraft Foods Inc. will hold its 2009 Annual Meeting of Shareholders on Wednesday, May 20, 2009, at 9:00 a.m. CDT at the North Shore Center for the Performing Arts in Skokie, 9501 Skokie Boulevard, Skokie, Illinois 60077. The center will open at 8:00 a.m. CDT. Directions to the center are included at the end of this Proxy Statement.

2. Why am I receiving these proxy materials?

We are providing you these proxy materials in connection with our Board of Directors (the Board) solicitation of proxies to be voted at our 2009 Annual Meeting of Shareholders or at any adjournments or postponements of the meeting (the Annual Meeting). These materials describe the voting procedures and the matters to be voted on at the Annual Meeting.

3. How is Kraft Foods distributing proxy materials?

Under rules recently adopted by the U.S. Securities and Exchange Commission (SEC), we are furnishing proxy materials to our shareholders primarily via the Internet, instead of mailing printed copies of proxy materials to each shareholder. On or about March 31, 2009, we began mailing to our shareholders (other than those who previously requested electronic or paper delivery) a Notice of Internet Availability of Proxy Materials (the Notice) containing instructions on how to access this Proxy Statement and our Annual Report on Form 10-K for the year ended December 31, 2008 (the Form 10-K) online. If you received a Notice by mail, you will not receive a printed copy of the proxy materials in the mail. Instead, the Notice instructs you on how to access and review all of the important information contained in this Proxy Statement and the Form 10-K. The Notice also instructs you on how you may submit your proxy via the Internet. If you received a Notice by mail and would like to receive a copy of our proxy materials, follow the instructions contained in the Notice about how you may request to receive your materials

Edgar Filing: KRAFT FOODS INC - Form DEF 14A

electronically or in printed form on a one-time or ongoing basis.

We will send copies of this Proxy Statement, the Form 10-K and/or the proxy card (proxy materials) free of charge to any shareholder who requests copies using one of the following methods:

In writing to: Wells Fargo Shareowner Services, For Kraft Foods Inc., P.O. Box 64874, St. Paul, Minnesota 55164-0874;

By telephone: Call free of charge 1-866-697-9377 in the U.S. and Canada or 1-651-450-4064 from outside the U.S. and Canada;

Via the Internet: Access the Internet and go to www.ematerials.com/kfi and follow the instructions to login and order copies; or

Via e-mail: Send us an e-mail at ep@ematerials.com with KFT Materials Request in the subject line. Your e-mail must include the following information:

the 3-digit company number and the 11-digit control number located in the box in the upper right-hand corner of your Notice;

Table of Contents

your preference to receive printed materials via mail or to receive an e-mail with links to the electronic materials;

if you choose e-mail delivery, you must include an e-mail address; and

if you would like this election to apply to the delivery of materials for all future meetings, write the word **Permanent** and include the last 4 digits of your tax identification number in the e-mail.

We also provide these materials on our Web site at www.kraftfoodscompany.com/investor.

4. Who is entitled to vote at the Annual Meeting?

Our Board established March 12, 2009, as the record date (the **Record Date**) for the Annual Meeting. Shareholders owning our common stock at the close of business on the Record Date are entitled to (a) receive notice of the Annual Meeting, (b) attend the Annual Meeting and (c) vote on all matters that properly come before the Annual Meeting.

At the close of business on the Record Date, 1,472,416,560 shares of our common stock were outstanding and entitled to vote. Each share is entitled to one vote on each matter to be voted upon at the Annual Meeting.

5. What proposals are being presented for shareholder vote at the Annual Meeting?

Four proposals are scheduled for vote at the Annual Meeting:

ITEM 1. Election of Directors: THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE *FOR* ALL NOMINEES TO THE BOARD, EACH FOR A TERM EXPIRING AT THE 2010 ANNUAL MEETING OF SHAREHOLDERS OR UNTIL HIS OR HER SUCCESSOR HAS BEEN DULY CHOSEN AND QUALIFIED:

Ajay Banga

Myra M. Hart

Lois D. Juliber

Mark D. Ketchum

Richard A. Lerner, M.D.

John C. Pope

Fredric G. Reynolds

Irene B. Rosenfeld

Deborah C. Wright

Frank G. Zarb

You can find information about the Board's nominees, including each of their business backgrounds, under the heading "Item 1: Election of Directors" in this Proxy Statement.

ITEM 2. Approval of the Amended and Restated 2005 Performance Incentive Plan: THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE TO APPROVE THE AMENDED AND RESTATED 2005 PERFORMANCE INCENTIVE PLAN.

You can find information about the Amended and Restated 2005 Performance Incentive Plan under the heading "Item 2. Approval of the Amended and Restated 2005 Performance Incentive Plan" in this Proxy Statement.

ITEM 3. Ratification of the Selection of Independent Auditors: THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE TO RATIFY THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS KRAFT FOODS' INDEPENDENT AUDITORS FOR THE YEAR 2009.

You can find information about our relationship with PricewaterhouseCoopers LLP under the headings "Audit Committee Matters" and "Item 3: Ratification of the Selection of Independent Auditors" in this Proxy Statement.

Table of Contents

ITEM 4. Shareholder Proposal Regarding Special Shareholder Meetings: THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE AGAINST THE SHAREHOLDER PROPOSAL.

You can find information about the shareholder proposal under the heading Item 4. Shareholder Proposal Regarding Special Shareholder Meetings in this Proxy Statement.

Management does not know of any matters, other than those described in this Proxy Statement, that may be presented for action at the Annual Meeting. If any other matters properly come before the meeting, the persons named as proxies will vote on them in accordance with their best judgment.

6. What is the quorum requirement?

A quorum of shareholders is necessary to validly hold the Annual Meeting. A quorum will be present if a majority of the outstanding shares of our common stock on the Record Date are represented at the Annual Meeting, either in person or by proxy. Your shares will be counted for purposes of determining a quorum if you vote via the Internet, by telephone or by submitting a properly executed proxy card or voting instruction form by mail, or if you vote in person at the Annual Meeting. Abstentions and broker non-votes will be counted for determining whether a quorum is present for the Annual Meeting.

7. What are the voting choices on Item 1, the election of directors?

You may vote FOR all nominees, vote AGAINST all nominees, vote FOR specific nominees, or vote AGAINST specific nominees. You may also ABSTAIN, which will have no effect on the election of directors.

8. What vote is needed to elect directors?

Our Amended and Restated By-Laws (By-Laws) provide that, to be elected at this Annual Meeting, a director nominee must receive more FOR votes than AGAINST votes. Abstentions and broker non-votes are not considered as FOR votes or AGAINST votes for the nominees and will not have an effect on the outcome of the voting for directors.

To implement our majority voting By-Law, our Corporate Governance Guidelines provide that, in an uncontested election, any nominee for director who receives a greater number of AGAINST votes than FOR votes must tender his or her resignation for consideration by the Board's Nominating and Governance Committee. The Nominating and Governance Committee then recommends to the Board whether to accept or reject the resignation.

Under our Corporate Governance Guidelines and in accordance with Virginia law, if an incumbent director nominated for re-election is not elected at the Annual Meeting, the director must tender his or her resignation but will continue to serve until the Board decides whether to accept the resignation. The Board will publicly disclose its decision and rationale within 90 days after certification of the election results. If the Board does not accept the director's resignation, the director will continue to serve until the next annual meeting and until the director's successor is elected and qualified.

In contested elections the vote standard is a plurality of votes cast.

9. What are the voting choices on Item 2, approval of the Amended and Restated 2005 Performance Incentive Plan, Item 3, the ratification of the selection of the independent auditors, and Item 4, the shareholder proposal regarding special shareholder meetings?

You may vote FOR, AGAINST or ABSTAIN on each of Items 2, 3, and 4.

10. What vote is needed to approve each proposal?

Approval of the ratification of the selection of independent auditors (Item 3) and adoption of the shareholder proposal (Item 4) each require that the number of votes cast FOR exceed the number of the votes cast AGAINST. Abstentions and broker non-votes are not considered as voting FOR or AGAINST these proposals and will have no effect on the outcome of the proposals.

Table of Contents

The New York Stock Exchange (NYSE) rules do not permit brokers discretionary authority to vote on the approval of the Amended and Restated 2005 Performance Incentive Plan (Item 2) or the shareholder proposal (Item 4). Therefore, if you hold shares of our common stock in street name (see Question 12) and do not provide voting instructions to your broker, your shares will not be voted on these matters.

Under the NYSE rules, the approval of the Amended and Restated 2005 Performance Incentive Plan (Item 2) requires an affirmative vote of the majority of the votes cast on the proposal, provided that the total votes cast on the proposal represent over 50% of the total outstanding shares of our common stock (the Outstanding Votes). Votes FOR and AGAINST and abstentions count as votes cast, while broker non-votes do not count as votes cast but count as Outstanding Votes. Therefore, the sum of votes FOR, votes AGAINST, and abstentions (the NYSE Votes Cast) must be greater than 50% of the total Outstanding Votes. Further, the number of votes FOR the proposal must be greater than 50% of the NYSE Votes Cast. Therefore, abstentions have the same effect as a vote against the proposal. As described above, brokers do not have discretionary authority to vote shares on the Amended and Restated 2005 Performance Incentive Plan without direction from the beneficial owner. As a result, broker non-votes could impair our ability to satisfy the requirement that the NYSE Votes Cast represent more than 50% of the Outstanding Votes.

11. What other matters may arise at the Annual Meeting?

Other than the matters described in this Proxy Statement, we do not expect any matters to be presented for a vote at the Annual Meeting. The Chairman of the Annual Meeting may refuse to allow the presentation of a proposal or a nomination for the Board at the Annual Meeting if it is not properly submitted. The requirements for shareholders to properly submit proposals and nominations at the 2009 Annual Meeting were described in our 2008 Proxy Statement. They are similar to those described under the heading 2010 Annual Meeting of Shareholders in this Proxy Statement.

12. What is the difference between holding shares as a registered shareholder and holding shares in street name?

If your shares are owned directly in your name with our transfer agent, Wells Fargo Bank, N.A., you are considered a registered shareholder with respect to those shares.

If your shares are held in a brokerage account or by a bank or other nominee, you hold the shares in street name.

13. How do I vote my shares?

If you are a registered shareholder, you may vote:

Via the Internet at www.eproxy.com/kft. The Internet voting system will be available 24 hours a day until 12:00 p.m. CDT on Tuesday, May 19, 2009;

By telephone, if you are located within the U.S. and Canada. Call 1-800-560-1965 (toll-free) from a touch-tone telephone. The telephone voting system will be available 24 hours a day until 12:00 p.m. CDT on Tuesday, May 19, 2009;

By returning a properly executed proxy card. Your proxy card must be received before the polls close at the Annual Meeting on Wednesday, May 20, 2009; or

In person at the Annual Meeting. Please pre-register to attend the Annual Meeting by following the pre-registration directions in Question 26.

If you hold your shares in street name, you may vote:

Edgar Filing: KRAFT FOODS INC - Form DEF 14A

Via the Internet at www.proxyvote.com (12-digit control number is required), by telephone, or by returning a properly executed voting instruction form by mail, depending upon the method(s) your broker, bank, or other nominee makes available; or

In person at the Annual Meeting. To do so, you must request a legal proxy from your broker or bank and present it at the Annual Meeting. Please pre-register to attend the Annual Meeting by following the pre-registration directions in Question 26.

Table of Contents

14. I am a current/former Kraft Foods employee and have investments in the Kraft Foods Stock Fund(s) of the Kraft Foods Inc. Thrift/TIP 401(k) Plans(s) and/or the Kraft Foods Canada Optional Pension Plan(s)/Employee Savings Plan. Can I vote? If so, how do I vote?

Yes, you are entitled to vote. For voting purposes, your proxy card includes all shares allocated to your Kraft Foods Stock Fund account(s), shares you may hold at our transfer agent as a registered shareholder, and any shares of restricted stock you may hold. When you submit your proxy, you are directing the plan(s) trustee(s) how to vote the shares allocated to your Kraft Foods Stock Fund account(s) in addition to directing the voting of all other shares included on your proxy card.

In order to direct the plan(s) trustee(s) how to vote the shares held in your Kraft Foods Stock Fund account(s), you must vote the shares by 11:59 p.m. CDT on Monday, May 18, 2009. If your voting instructions are not received by that time, the trustee(s) will vote the shares allocated to your account(s) in the same proportion as the respective plan shares for which voting instructions have been received, unless contrary to the Employee Retirement Income Security Act of 1974 (ERISA). Please follow the instructions for registered shareholders under Question 13 to cast your vote. Although you may attend the Annual Meeting, you may not vote shares held in your Kraft Foods Stock Fund account(s) at the meeting.

15. I am a current/former Kraft Foods employee and hold restricted stock. Can I vote my restricted stock holding? If so, how do I vote those shares?

Yes. If you hold shares of restricted stock, you should follow the instructions for registered shareholders under Question 13 to vote your shares. If you do not vote your shares, they will not be voted. For voting purposes, your proxy card includes your shares of restricted stock, shares you may hold in a Kraft Foods Stock Fund account(s), and any shares you may hold at our transfer agent as a registered shareholder.

16. How do I vote if I participate in Kraft Foods Direct Purchase Plan?

If you hold shares in the Direct Purchase Plan, you should follow the instructions for registered shareholders under Question 13 to vote your shares. When you vote those shares, you will be voting all the shares you hold at our transfer agent as a registered shareholder. If you do not vote your shares, they will not be voted.

17. May I change my vote?

Yes. If you are a registered shareholder and would like to change your vote after submitting your proxy but prior to the Annual Meeting, you may do so by (a) signing and submitting another proxy with a later date, (b) voting again by telephone or the Internet, or (c) voting at the Annual Meeting. Alternatively, if you would like to revoke your proxy, you may submit a written revocation of your proxy to our Corporate Secretary at Kraft Foods Inc., Three Lakes Drive, Northfield, Illinois 60093.

If your shares are held in street name, contact your bank, broker or other nominee for specific instructions on how to change or revoke your vote. Please refer to Question 13 for additional details about voting.

18. How are my shares voted by the proxies?

The persons named on the proxy card must vote your shares as you have instructed. If you do not give a specific instruction on any proposal scheduled for vote at the Annual Meeting but you have authorized the proxies generally to vote, they will vote in accordance with the Board's recommendation on that matter. Your authorization would exist, for example, if you merely sign, date, and return your proxy card.

19. Will my shares be voted if I do not provide my proxy?

If you are a registered shareholder or if you hold restricted stock, your shares will not be voted unless you vote as instructed in Question 13.

If you hold your shares in street name, under the NYSE rules, your brokerage firm may vote on your behalf on routine matters if you do not furnish voting instructions. For the Annual Meeting, the election of directors (Item 1) and the ratification of the selection of independent auditors (Item 3) are considered routine matters. However, the approval of the

Table of Contents

Amended and Restated 2005 Performance Incentive Plan (Item 2) and the shareholder proposal (Item 4) are not considered routine matters. As a result, if you hold shares of our common stock in street name and do not provide voting instructions to your broker, your shares will not be voted on Items 2 and 4.

In addition, if you are a current or former employee and had investments in the Kraft Foods Stock Fund(s) of the Kraft Foods Inc. Thrift/TIP 401(k) Plan(s) and/or the Kraft Foods Canada OPP/ESP on the Record Date, you can direct the plan(s) trustee(s) how to vote the shares allocated to your account(s). If your instructions are not received by 11:59 p.m. CDT on Monday, May 18, 2009, the trustee(s) will vote the shares allocated to your account(s) in the same proportion as the respective plan shares for which instructions have been received. Please refer to Question 14 for additional details about voting shares held in the Kraft Foods Stock Fund(s).

20. Is it safe to vote via the Internet or telephone?

Yes. The Internet and telephone voting procedures were designed to authenticate shareholders' identities and to confirm that their instructions have been properly recorded.

21. Who will bear the cost of soliciting votes for the Annual Meeting?

We bear the cost of soliciting your vote. In addition to mailing these proxy materials, our directors, officers, or employees may solicit proxies or votes in person, by telephone, or by electronic communication. They will not receive any additional compensation for these solicitation activities.

We will enlist the help of banks and brokerage firms in soliciting proxies from their customers and reimburse the banks and brokerage firms for related out-of-pocket expenses.

We retained Georgeson Shareholder Communications Inc. to aid in soliciting votes for the Annual Meeting for a total fee of \$17,500 plus reasonable expenses.

22. What is Householding ?

Unless you advised otherwise, if you hold your shares in street name and you and other residents at your mailing address share the same last name and own shares of our common stock in an account at the same brokerage firm or bank, we delivered a single Notice or set of proxy materials to your address. This method of delivery is known as householding. Householding reduces the number of mailings you receive, as well as our printing and postage costs. Shareholders who participate in householding will continue to receive separate voting instruction forms. If you would like to opt out of this practice, please contact your broker or bank.

If you are a registered shareholder, we sent you and each registered shareholder at your address separate Notices or sets of proxy materials.

23. Are my votes confidential?

Yes. Your votes will not be disclosed to our directors, officers, or employees, except (a) as necessary to meet applicable legal requirements and to assert or defend claims for or against us, (b) in the case of a contested proxy solicitation, (c) if you provide a comment with your proxy or otherwise communicate your vote to us, or (d) as necessary to allow the independent inspector of election to certify the results.

24. Who counts the vote?

Wells Fargo Bank, N.A. will receive and tabulate the proxies. IVS Associates, Inc. will act as the independent inspector of election and will certify the results.

25. How do I find out the voting results?

We will announce preliminary voting results at the Annual Meeting. We will disclose the final voting results in our second quarter Form 10-Q to be filed with the SEC on or before August 10, 2009. The Form 10-Q will be available at www.kraftfoodscompany.com/investor.

Table of Contents

26. What do I need to do if I would like to attend the Annual Meeting?

If you would like to attend the Annual Meeting, please pre-register by 11:59 p.m. CDT on Sunday, May 17, 2009. Due to space limitations, you may bring only one guest. If you wish to bring a guest, you must indicate that when you pre-register. **You and your guest, if any, must present valid government-issued photographic identification, such as a driver's license, to be admitted into the Annual Meeting.**

If you are a registered shareholder, please indicate that you intend to attend the Annual Meeting by:

Checking the appropriate box(es) on the Internet voting site;

Following the prompts on the telephone voting site; or

Checking the appropriate box(es) on your proxy card.

If you hold your shares in street name, please notify us in writing that you will attend and whether you intend to bring a guest. In this written notification, please include a proof of ownership of our common stock (such as a letter from your bank or broker, a photocopy of your current account statement, or a copy of your voting instruction form); please also provide a way for us to reach you if there is a problem with your notification. Send your notification by mail, fax, or e-mail to:

Mail:
Kraft Foods Inc.
c/o Georgeson Inc.
Attention: Christopher Cinek
199 Water Street, 26th Floor
New York, NY 10038

Fax:
(877) 260-0406 (toll-free within the U.S.)
(212) 440-9009 (from outside the U.S.)
Attention: Christopher Cinek

E-mail
ccinek@georgeson.com

For your comfort, security, and safety, we will not allow any large bags, briefcases, packages, or backpacks into the Annual Meeting site. All bags will be subject to search. We also will not allow electronic devices into the Annual Meeting. These include, but are not limited to, cellular and digital phones, cameras, audio and video recorders, laptops, and pagers. We welcome assistance animals for the disabled, but do not allow pets.

27. May I ask questions at the Annual Meeting?

Yes. Shareholders may ask questions and make remarks related to the matters being voted on as those matters are presented. The Chairman will entertain shareholders' questions and comments of a more general nature following the voting.

Table of Contents

CORPORATE GOVERNANCE

Corporate Governance Guidelines

Our corporate governance practices are firmly grounded in our belief that governance best practices are critical to our goal of driving sustained shareholder value. The Board adopted written Corporate Governance Guidelines (the Guidelines) that articulate our corporate governance philosophy, practices, and policies.

Code of Business Conduct and Ethics for Directors and Code of Conduct for Compliance and Integrity

We have a Code of Business Conduct and Ethics for Directors (the Ethics Code). It focuses on areas of ethical risk, guides directors in recognizing and handling ethical issues, provides mechanisms to report unethical conduct, and fosters a culture of honesty and integrity.

We also have a Code of Conduct that applies to all of our employees. It was updated in March 2009. The Code of Conduct contains important rules our employees must follow in conducting business. The Code of Conduct reflects our company's values. We strive to speak truthfully, to honor our commitments, and to treat people fairly. We believe we must earn and keep the trust of our consumers, business partners, employees, shareholders, and those who live in the communities where we operate. By complying with the Code of Conduct, we believe we will enhance not only our integrity, but also our financial performance.

We will disclose on our Web site at www.kraftfoodscompany.com any amendments to our Ethics Code or Code of Conduct and any waiver granted to an executive officer or director under these codes.

Corporate Governance Materials Available at www.kraftfoodscompany.com/investor and from our Corporate Secretary

Shareholders and others can access our corporate governance materials, including our Articles of Incorporation, our By-Laws, the Guidelines, Board committee charters, the Ethics Code and Code of Conduct, and other related corporate governance materials on our Web site at www.kraftfoodscompany.com/investor. We will also provide copies of these materials free of charge to any shareholder who sends a written request to our Corporate Secretary at Kraft Foods Inc., Three Lakes Drive, Northfield, Illinois 60093.

The information on our Web site is not, and shall not be deemed to be, a part of this Proxy Statement or incorporated into any of our other filings with the SEC.

Director Independence

The Guidelines require that at least 75% of the directors on our Board meet the NYSE's listing standards' independence requirements. For a director to be considered independent, the Board must affirmatively determine, after reviewing all relevant information, that a director has no direct or indirect material relationship with Kraft Foods. To assist in this determination, the Board adopted categorical standards of director independence, which conform to the independence criteria specified by the NYSE. These standards are listed in the Guidelines and are attached to this Proxy Statement as Exhibit A. These standards specify the criteria by which the Board determines the independence of our directors, including whether a director or a member of the director's immediate family has any current or past employment or affiliation with Kraft Foods or our independent registered public accountants.

After considering these categorical standards and the NYSE's listing standards, the Board determined that Ajay Banga, Myra M. Hart, Lois D. Juliber, Mark D. Ketchum, Richard A. Lerner, M.D., John C. Pope, Fredric G. Reynolds, Deborah C. Wright, and Frank G. Zarb are independent. Irene B. Rosenfeld is not considered an independent director because she is an executive officer of Kraft Foods. The Board also determined that Jan Bennink, who is not standing for re-election, is independent and Mary L. Schapiro, a former director, was independent during the time that she served as a director.

In evaluating and determining the independence of the non-management directors, the Board considered that Mr. Banga is Citigroup Inc.'s Chief Executive Officer, Asia Pacific. We purchase banking services from Citigroup Inc. in the ordinary course of business. Also, from time to time, we engage investment banks, including Citigroup Inc., to provide financial advisory services. The Board also considered Mr. Reynolds' position as Executive Vice President and Chief Financial Officer of CBS Corporation, a television broadcast company from which we purchase advertising in the ordinary course of business.

Table of Contents

Executive Sessions of the Board

The Board's Lead Director, Mark D. Ketchum, presides over executive sessions of the non-management directors. These sessions are typically held at each regular Board meeting. The Lead Director also presides over any Board meeting at which the Chairman is not present. The Lead Director has other authority and responsibilities. They are described in the Guidelines.

Mary L. Schapiro served as Lead Director during 2008 and until her resignation, effective January 15, 2009.

Meeting Attendance

We expect directors to attend all Board meetings, the Annual Meeting, and all meetings of the committees on which they serve. But, we understand that occasionally a director may be unable to attend a meeting. The Board held nine meetings in 2008 and acted by unanimous consent one time. All nominees who were serving as directors at the time of the 2008 Annual Meeting of Shareholders attended that meeting, except for Fredric G. Reynolds and Frank G. Zarb, who could not attend because of previous business commitments. All individuals who served as directors in 2008 attended at least 75% of the aggregate number of meetings of the Board and all committees on which they served except Jan Bennink. He was absent for good cause and with the Board's concurrence and is not standing for re-election.

Communications with the Board

Shareholders and other interested parties can communicate with the Lead Director, the Board, or non-management directors, individually or as a group, by writing to them at:

Board of Directors (or specific director)

c/o Corporate Secretary

Kraft Foods Inc.

Three Lakes Drive

Northfield, Illinois 60093

Shareholders and other interested parties may also communicate with one or more members of the Board by sending an e-mail to Kraft-Board@kraft.com.

The Corporate Secretary forwards communications relating to matters within the Board's purview to the independent directors; communications relating to matters within a Board committee's area of responsibility to the chair of the appropriate committee; and communications relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the appropriate Kraft Foods executive or employee. The Corporate Secretary does not forward solicitations, junk mail, and obviously frivolous or inappropriate communications, but makes them available to any independent director who requests them.

Committee Membership

Our Board designates the members and chairs of committees based on the Nominating and Governance Committee's recommendations. Until December 2008, the Board had four standing committees: Audit, Compensation, Nominating and Governance, and Public Affairs. During this period, committee membership was:

2008 Committee Membership

Name	Audit	Compensation	Nominating and Governance	Public Affairs
------	-------	--------------	---------------------------------	-------------------

Edgar Filing: KRAFT FOODS INC - Form DEF 14A

Ajay Banga	-	Chair	X	-
Jan Bennink	X	-	-	X
Myra M. Hart	-	X	X	-
Lois D. Juliber	-	X	-	X
Mark D. Ketchum	-	X	X	-
Richard A. Lerner, M.D.	-	-	X	X
John C. Pope	Chair	-	X	-
Fredric G. Reynolds	X	-	-	X
Mary L. Schapiro	X	-	Chair	-
Deborah C. Wright	-	X	-	Chair
Frank G. Zarb	X	-	-	X
Number of Meetings in 2008	12	6	7	5

Table of Contents

In December 2008, the Board established the Finance Committee. At that time, Mr. Pope rotated from the Nominating and Governance Committee to serve on the Finance Committee; Mr. Reynolds rotated from the Public Affairs Committee to serve on the Finance Committee; and Mr. Zarb serves as Chair of the Finance Committee. The Finance Committee met once during December 2008.

Current committee membership is:

2009 Committee Membership

Name	Audit	Finance	Human Resources and Compensation ⁽¹⁾	Nominating and Governance	Public Affairs
Ajay Banga	-	-	Chair	X	-
Jan Bennink	X	-	-	-	X
Myra M. Hart	-	-	X	Chair	-
Lois D. Juliber	-	-	X	-	X
Mark D. Ketchum	-	-	X	X	-
Richard A. Lerner, M.D.	-	-	-	X	X
John C. Pope	Chair	X	-	-	-
Fredric G. Reynolds	X	X	-	-	-
Deborah C. Wright	-	-	X	-	Chair
Frank G. Zarb	X	Chair	-	-	X

- (1) In January 2009, the committee changed its name from the Compensation Committee to the Human Resources and Compensation Committee to better reflect its full-range of responsibilities.

The Board adopted a written charter for each committee. The charters define each committee's roles and responsibilities. All committee charters are available at www.kraftfoodscompany.com/investor. We will provide copies of these charters free of charge to any shareholder who sends a written request to the Corporate Secretary at Kraft Foods Inc., Three Lakes Drive, Northfield, Illinois 60093.

PUBLIC AFFAIRS COMMITTEE MATTERS

The Public Affairs Committee was established effective February 2008. The committee is responsible for discharging the Board's responsibilities relating to public policy issues. In carrying out its duties, the Public Affairs Committee:

monitors public policy and social trends affecting us;

monitors issues and practices relating to our social accountability;

periodically examines our business practices that are of special interest to policy-makers and the public at large;

monitors programs and activities aimed at enhancing our global communication, media relations, and community relations;

monitors programs and activities related to emergency preparedness and business continuity planning;

reviews the impact of business operations and business practices on communities where we do business;

monitors our corporate citizenship programs and activities, including charitable contributions; and

reviews and makes recommendations to the Board regarding shareholder proposals related to public issues.

FINANCE COMMITTEE MATTERS

The Finance Committee was established effective December 2008. The Finance Committee is responsible for considering and making recommendations to the Board on the management of our financial resources and transactions. The Finance Committee reviews and makes recommendations to the Board on financial matters, including:

our annual and long-term financing plans, including our projected financial structure and funding requirements, capital expenditures, and share repurchases;

Table of Contents

issuances of equity and debt securities and other financing transactions;

our external dividend policy and dividend recommendations;

proposed major investments, restructurings, joint ventures, significant asset sales or purchases, acquisitions, divestitures, and other significant business opportunities; and

financial risk management activities, such as foreign exchange, commodities, interest rate exposure, insurance programs, and terms of customer financing.

NOMINATING AND GOVERNANCE COMMITTEE MATTERS

The Board determined that all of the Nominating and Governance Committee members are independent within the meaning of the NYSE's listing standards. The Nominating and Governance Committee's responsibilities include, among other duties:

identifying qualified individuals to become Board members consistent with criteria approved by the Board;

considering the performance and suitability of incumbent directors in determining whether to nominate them for re-election;

recommending to the Board its determinations of director independence;

recommending to the Board the appropriate size, function, needs, and composition of the Board and its committees;

recommending to the Board directors to serve as members of each committee;

monitoring compliance by directors with our stock ownership guidelines;

reviewing and evaluating opportunities for Board members to engage in continuing education; and

advising the Board on corporate governance matters, including developing and recommending to the Board our corporate governance guidelines.

Process for Nominating Directors

The Nominating and Governance Committee is responsible for identifying and evaluating nominees for director and recommending to the Board nominees for election at the Annual Meeting of Shareholders. The committee relies on nominee suggestions from the directors, shareholders, management, and others. From time to time, the committee retains executive search and board advisory consulting firms to assist in identifying and evaluating potential nominees. During 2008, the committee retained Heidrick & Struggles for this purpose.

In evaluating potential nominees for Board membership, the Nominating and Governance Committee may consider many factors, including whether the individual meets the Board's requirements for independence, the individual's understanding of our global businesses and markets, the individual's professional expertise and educational background, and other factors that promote diversity of views and experience. The committee

Edgar Filing: KRAFT FOODS INC - Form DEF 14A

evaluates each individual in the context of the Board as a whole, with the objective of recommending for nomination a group of directors that can best perpetuate our success and represent shareholder interests. In determining whether to recommend a director for re-election, the Nominating and Governance Committee also considers the director's past attendance at meetings and participation in and contributions to Board and committee activities. In evaluating potential nominees, the committee may identify certain skills or attributes (e.g., financial experience, global business experience) as being particularly desirable to help meet specific Board needs.

The Nominating and Governance Committee will consider any candidate suggested for election to the Board who is properly presented by a shareholder. The committee evaluates candidates suggested by shareholders and then will make a recommendation to the Board using the same criteria described above. After the Board's full consideration of a shareholder's suggestion for election to the Board, the Corporate Secretary will notify that shareholder of the Board's conclusion. For a description of how shareholders may nominate a candidate for election to the Board, see 2010 Annual Meeting of Shareholders in this Proxy Statement.

Table of Contents

ITEM 1. ELECTION OF DIRECTORS

The Board currently consists of 11 directors, each subject to annual election. Shareholders elected all of the current directors at the 2008 Annual Meeting. All current directors, except for Jan Bennink, are standing for re-election. On March 12, 2009, the Board amended our By-Laws to set the size of our Board at ten directors, effective with the Annual Meeting or any adjournments or postponements of the meeting.

The Nominating and Governance Committee recommended to the Board, and the Board approved, the nomination of these ten director nominees, each for a term ending at the 2010 Annual Meeting of Shareholders or until his or her successor has been duly chosen and qualified:

Ajay Banga

Myra M. Hart

Lois D. Juliber

Mark D. Ketchum

Richard A. Lerner, M.D.

John C. Pope

Fredric G. Reynolds

Irene B. Rosenfeld

Deborah C. Wright

Frank G. Zarb

If the enclosed proxy card is properly executed and timely received, the persons named in the proxy card intend to vote the shares represented FOR or AGAINST the persons nominated for election as directors or ABSTAIN from voting, as instructed. If a nominee should become unavailable to serve as a director, an event that we do not anticipate occurring, the persons named in the proxy card will vote the shares for the person whom the Board may designate to replace that nominee. In lieu of naming a substitute, the Board may amend our By-Laws to reduce the number of directors.

On November 7, 2007, we entered into an agreement with one of our shareholders, Trian Fund Management, L.P., certain funds managed by it, and certain of its affiliates (collectively, Trian). In the agreement, we confirmed the Board's intention to appoint Ms. Juliber and Mr. Zarb as directors, and to include each of them as nominees at our 2008 and 2009 Annual Meetings. Trian confirmed, among other matters, that they

Edgar Filing: KRAFT FOODS INC - Form DEF 14A

would support the Board's full list of nominees at our 2008 and 2009 Annual Meetings, and agreed to a standstill agreement with us. A copy of the agreement with Triam was included in our Current Report on Form 8-K that we filed with the SEC on November 7, 2007.

None of the nominees is related to another or to any executive officer of Kraft Foods by blood, marriage, or adoption.

The following is information regarding each nominee as of March 29, 2009:

Ajay Banga	Since March 2008, Mr. Banga has been Chief Executive Officer of Citigroup's Asia Pacific region. Citigroup is a global financial services company. Mr. Banga previously served as Chairman and Chief Executive Officer of Citigroup's Global Consumer Group International, Executive Vice President of Citigroup's Global Consumer Group, and President of Citigroup's Retail Banking North America. Since joining Citigroup in 1996, Mr. Banga has worked as business head for CitiFinancial and the U.S. Consumer Assets Division and as division executive for the consumer bank in Central/Eastern Europe, Middle East, Africa, and India. Mr. Banga is on the Board of Trustees of the Asia Society.
------------	---

Chief Executive Officer, Asia Pacific, Citigroup Inc.

Director since January 2007

Age: 49

Myra M. Hart

Dr. Hart joined the Harvard Business School in 1995 and has recently retired to its senior faculty. From 1985 until 1990, Dr. Hart served on the founding team of Staples, Inc., an office supply retail store chain, leading operations, strategic planning, and growth implementation in new and existing markets. She serves on the boards of Office Depot Inc., Nina McLemore Inc., and Summer Infant, Inc. Dr. Hart is a director of the Center for Women's Business Research and a Trustee of Babson College. She is also a Trustee Emeritus of Cornell University.

Professor, Harvard

Business School

(Retired)

Director since December 2007

Age: 68

Table of Contents

<p>Lois D. Juliber</p> <p>Former Vice Chairman and Chief Operating Officer, Colgate- Palmolive Company</p> <p>Director since November 2007</p> <p>Age: 60</p>	<p>Ms. Juliber served as a Vice Chairman of the Colgate-Palmolive Company, a global consumer products company, from July 2004 until April 2005. She served as Colgate-Palmolive's Chief Operating Officer from March 2000 to July 2004, Executive Vice President North America and Europe from 1997 until March 2000, and President of Colgate North America from 1994 to 1997. Ms. Juliber serves on the boards of Goldman Sachs Group Inc. and E.I. du Pont De Nemours and Company. She is Chairman of the MasterCard Foundation. Ms. Juliber is a Trustee of Wellesley College and a director of Women's World Banking.</p>
<p>Mark D. Ketchum</p> <p>President and Chief Executive Officer, Newell Rubbermaid Inc.</p> <p>Director since April 2007</p> <p>Age: 59</p>	<p>Mr. Ketchum has been President and Chief Executive Officer of Newell Rubbermaid Inc., a global marketer of consumer and commercial products, since October 2005. From 1999 to 2004, Mr. Ketchum was President, Global Baby and Family Care of The Procter & Gamble Company, a global marketer of consumer products. Mr. Ketchum joined Procter & Gamble in 1971, and thereafter served in a variety of roles, including Vice President and General Manager Tissue/Towel from 1990 to 1996 and President North American Paper Sector from 1996 to 1999.</p>
<p>Richard A. Lerner, M.D.</p> <p>President, The Scripps Research Institute</p> <p>Director since January 2005</p>	<p>Dr. Lerner has been President of The Scripps Research Institute, a private, non-profit biomedical research organization, since 1986. He serves on the boards of Opko Health, Inc.; Sequenom, Inc.; Xencor, Inc.; and Intra-Cellular Therapies, Inc. Dr. Lerner is a member of numerous scientific associations, including the National Academy of Science and the Royal Swedish Academy of Sciences.</p>

Age: 70

John C. Pope

Chairman, PFI Group, LLC

Director since July 2001

Mr. Pope has served as Chairman of PFI Group, LLC, a financial management firm that invests primarily in private equity opportunities, since July 1994. From December 1995 to November 1999, Mr. Pope was Chairman of the Board of MotivePower Industries, Inc., a NYSE-listed manufacturer and remanufacturer of locomotives and locomotive components. Prior to joining MotivePower Industries, Inc., Mr. Pope served in various capacities with United Airlines and its parent, UAL Corporation, including as a Director, Vice Chairman, President, Chief Operating Officer, Chief Financial Officer, and Executive Vice President, Marketing and Finance. He serves on the boards of Con-way, Inc.; Dollar Thrifty Automotive Group, Inc.; R.R. Donnelley and Sons Co.; and Waste Management, Inc. where he is also non-executive Chairman of the Board.

Age: 59

Fredric G. Reynolds

Executive Vice President

and Chief Financial

Officer, CBS Corporation

Director since December 2007

Mr. Reynolds has served as Executive Vice President and Chief Financial Officer of CBS Corporation, a mass media company, since January 2006. From 2001 until assuming his current position, Mr. Reynolds served as President and Chief Executive Officer of Viacom Television Stations Group and Executive Vice President and Chief Financial Officer of the businesses that comprised Viacom Inc.

Mr. Reynolds is a certified public accountant and a Trustee of the University of Miami.

Age: 58

Table of Contents

Irene B. Rosenfeld
 Chairman and Chief Executive Officer,
 Kraft Foods Inc.

Ms. Rosenfeld was appointed Chief Executive Officer of Kraft Foods in June 2006 and Chairman of the Board in March 2007. Prior to that, she had been Chairman and Chief Executive Officer of Frito-Lay, a division of PepsiCo, Inc., a food and beverage company, from September 2004 to June 2006. Previously, Ms. Rosenfeld had been employed continuously by Kraft Foods and its predecessor, General Foods Corporation, in various capacities from 1981 until 2003, including President of Kraft Foods North America and, before that, President of Operations, Technology, Information Systems and Kraft Foods Canada, Mexico and Puerto Rico. Ms. Rosenfeld is a Trustee of Cornell University.

Director since June 2006

Age: 55

Deborah C. Wright
 Chairman, President and Chief Executive Officer,
 Carver Bancorp, Inc.

Ms. Wright has been President and Chief Executive Officer of Carver Bancorp, Inc., the holding company for Carver Federal Savings Bank, a federally chartered savings bank, since 1999. She was elected Chairman in 2005. Previously, she served as President and Chief Executive Officer of the Upper Manhattan Empowerment Zone Development Corporation from 1996 to 1999. She serves on the board of Time Warner Inc. Ms. Wright also is a member of the Board of Managers of Memorial Sloan-Kettering Cancer Center, and she serves on the boards of the Partnership for New York City, the Children's Defense Fund, and The Sesame Workshop.

Director since July 2001

Age: 51

Frank G. Zarb
 Managing Director,
 Hellman & Friedman LLC

Mr. Zarb has been a Managing Director of Hellman & Friedman LLC, a private equity firm, since 2002. He is non-executive Chairman of Promontory Financial Group, LLC. Previously, he served as Chairman and Chief Executive Officer of NASD and The Nasdaq Stock Market, Inc. from 1997 to 2001. Mr. Zarb is a Trustee of Hofstra University.

Director since November 2007

Age: 74

The Board recommends a vote FOR the election of each of the nominees.

Table of Contents

ITEM 2. APPROVAL OF THE AMENDED AND RESTATED 2005 PERFORMANCE INCENTIVE PLAN

Introduction

The Human Resources and Compensation Committee (the Compensation Committee) of our Board is responsible for assessing our equity compensation policies. As more specifically discussed under Compensation Discussion and Analysis in this Proxy Statement, the Compensation Committee believes that equity-based awards should be a significant part of our long-term compensation program, which is designed to drive top-tier performance, align our management's interests with shareholders' interests, and underscore our commitment to shareholders while rewarding performance. In March 2009, as part of the Compensation Committee's ongoing evaluation of our compensation program, the committee reviewed the Kraft Foods Inc. 2005 Performance Incentive Plan. The plan was originally approved by our shareholders on April 26, 2005 and was amended twice by the Board to incorporate certain technical changes (related to the change in control provisions and compliance with Section 409A of the Internal Revenue Code of 1986, as amended (the Code)) into the plan as currently in effect (the Current Plan). Following its review of the Current Plan, the Compensation Committee recommended amending the plan to include several additional terms and limitations that it believes are consistent with the long-term interests of our shareholders. On March 12, 2009, upon recommendation of the Compensation Committee, our Board approved the Kraft Foods Inc. Amended and Restated 2005 Performance Incentive Plan, as amended and restated as of May 20, 2009 (the Amended Plan), subject to the approval of our shareholders. A copy of the Amended Plan is attached as Exhibit B to this Proxy Statement. If approved by shareholders, the Amended Plan will update and supersede the Current Plan.

The Amended Plan includes a number of specific terms and limitations that the Board believes reflect our pay-for-performance philosophy and are consistent with the long-term interests of our shareholders and sound corporate governance practices. These include:

No evergreen provision. The Amended Plan provides for a fixed reserve of shares of our common stock and does not provide for any annual increase of available shares.

Conservative share-counting provisions. The Amended Plan provides that upon exercise of stock-settled stock appreciation rights (SARs) and similar awards based on Spread Value (as defined below), the full number of shares of our common stock with respect to which the award is measured is deemed distributed for purposes of determining the number of shares of our common stock remaining available for issuance under the plan. The Amended Plan also prohibits shares tendered to pay the exercise price of an award or shares withheld for payment of taxes to be added back to the number of shares remaining available for issuance under the plan.

Limits on dividends and dividend equivalents. The Amended Plan prohibits the issuance of dividends and dividend equivalents on stock options and SARs. In addition, the Amended Plan prohibits the current payment of dividend equivalents on performance shares in which any applicable performance objectives have not been achieved.

Limited terms. The Amended Plan sets the maximum term for options and SARs at ten years. The Amended Plan will terminate in 2019.

No stock option repricings. The Amended Plan expressly prohibits the repricing of stock options and SARs without the approval of shareholders.

Vesting restrictions. The Amended Plan contains minimum vesting periods for awards based upon performance objectives and, subject to certain exceptions, awards conditioned on continued employment or the passage of time.

Edgar Filing: KRAFT FOODS INC - Form DEF 14A

No discounted stock options or SARs. The Amended Plan requires the exercise price of stock options and SARs to be not less than the fair market value of our common stock on the date of grant.

Change in control definition limited. The Amended Plan contains a change in control definition that triggers payments to executives only when an actual change in control occurs. Awards vest upon a change in control and only if an acquiring company does not assume the awards or if employment is terminated (double trigger).

Under the Current Plan, our prior employee stock plan, and current and prior director stock plans, as of March 12, 2009, we had a total of 69,526,353 shares subject to outstanding awards, consisting of a total of 54,119,664 options with a weighted average exercise price of \$24.43 and weighted average remaining contractual term of 5.94 years, and 15,406,689 shares subject to full-value awards. As of that date, we also had 73,699,882 shares available for future awards under the Current Plan and 416,998

Table of Contents

shares available for future awards under our 2006 Stock Compensation Plan for Non-Employee Directors. Under the Amended Plan, the number of shares of our common stock available for issuance under the plan would be increased by 18,000,000 shares. Therefore, if approved by shareholders, as of March 12, 2009, we would have had 91,699,882 shares available for future awards under the Amended Plan, of which no more than 30%, or 27,509,964 shares, may be granted as full-value awards. See Shares Reserved for Awards.

The Amended Plan is being submitted for approval by shareholders in accordance with the NYSE listing requirements and, among other reasons, to ensure that certain awards granted under the Amended Plan may qualify as performance-based compensation under Section 162(m) of the Code. We believe the Amended Plan will enable us to continue to provide a clear link to financial performance and total shareholder value, while allowing us the flexibility to meet future needs, in order to continue to provide incentives that motivate superior performance by participants, provide participants with an ownership interest in Kraft Foods, and attract and retain the services of outstanding employees.

Summary of the Amended Plan

The following is a summary of the material terms of the Amended Plan. This summary is not intended to be a complete description of all of the Amended Plan's provisions, and is qualified in its entirety by the full text of the Amended Plan, which is attached as Exhibit B to this Proxy Statement.

Eligibility and Limits on Awards. Our salaried employees who are responsible for or contribute to our management, growth, and profitability will be eligible to receive awards under the Amended Plan. Approximately 3,000 employees, including the current 12 executive officers, could be eligible to participate in the Amended Plan. The Compensation Committee has not made a determination as to which of these employees will receive awards under the Amended Plan.

The Amended Plan limits the amount of awards granted to a single employee as follows:

the total number of shares of common stock subject to stock options and SARs awarded during a calendar year may not exceed 3,000,000 shares;

awards of restricted stock, restricted or deferred stock units, or other stock-based awards not based on Spread Value (as defined below) may not exceed 1,000,000 shares in a calendar year;

the value of an employee's annual incentive award, taking into account the cash and the fair market value of any common stock payable with respect to the award, may not exceed \$10,000,000 with respect to any performance cycle; and

individual long-term incentive awards are limited to 400,000 shares multiplied by the number of years in the performance cycle and, in the case of awards expressed in currency, \$8,000,000 multiplied by the number of years in the performance cycle, with respect to any performance cycle.

Administration. The Compensation Committee or a subcommittee thereof will administer the Amended Plan. The Compensation Committee will select the eligible employees to receive awards and set the terms of the awards, including any performance goals applicable to annual and long-term incentive awards. The Compensation Committee has the authority to permit or require the deferral of payment of awards. The Compensation Committee may delegate its authority under the Amended Plan to officers of Kraft Foods, subject to its guidelines, with respect to awards to be granted to employees who are not subject to either Section 16 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or Section 162(m) of the Code.

Shares Reserved for Awards. The number of shares of our common stock reserved and available for awards under the Amended Plan will be 168,000,000, which consists of 150,000,000 shares that were approved in 2005 and 18,000,000 shares that will be added under the Amended Plan. Under the Current Plan, as of March 12, 2009, the number of shares subject to outstanding awards was 59,018,287 and number of shares available for future awards was 73,699,882.

If any award under the Amended Plan is exercised or cashed out, terminates or expires, or is forfeited, without payment being made in the form of common stock, the shares subject to the award that were not so paid, if any, will again be available for distribution under the Amended Plan.

Edgar Filing: KRAFT FOODS INC - Form DEF 14A

If a SAR or similar award based on the Spread Value of shares of common stock is exercised, the full number of shares of common stock with respect to which the award is measured will be considered

Table of Contents

distributed for purposes of determining the number of shares remaining available under the Amended Plan. Similarly, any shares of common stock that are used by an employee to pay withholding taxes or as payment for the exercise price of an award will be considered distributed for purposes of determining the number of shares remaining available for issuance under the Amended Plan. Following approval of the Amended Plan, no more than 27,509,964 of the shares issuable under the Amended Plan may be awarded as restricted stock, restricted stock units, deferred stock units or pursuant to incentive awards or other stock-based awards (as described below and excluding from this limitation awards the value of which is based solely on Spread Value). Awards granted prior to the effective date of the Amended Plan will not count towards this limit.

In the event of any transaction or event that affects our common stock, including but not limited to a merger, share exchange, reorganization, consolidation, recapitalization, reclassification, distribution, stock dividend, stock split, reverse stock split, split-up, spin-off, or issuance of rights or warrants, the Compensation Committee will make adjustments or substitutions with respect to the Amended Plan or our prior stock plan, the 2001 Performance Incentive Plan (the 2001 Plan), and awards granted thereunder. The permitted adjustments are only those the Compensation Committee determines are appropriate to reflect the occurrence of the transaction or event, including but not limited to adjustments in the number and kind of securities reserved for issuance; in the award limits on individual awards; in the performance goals or performance cycles of any outstanding awards; and to the number and kind of securities subject to outstanding awards; and, if applicable, to the grant amounts, exercise prices or Spread Value of the awards. The Compensation Committee also may make awards in substitution of awards held by individuals who are, previously were, or become employees of Kraft Foods in connection with the transaction. Notwithstanding the generally applicable provisions of the Amended Plan, a substituted award may be on such terms as the Compensation Committee deems appropriate.

In connection with events described in the previous paragraph, the Compensation Committee is authorized, with respect to the 2001 Plan and the Amended Plan to:

grant awards (including stock options, SARs, and other stock-based awards) with a grant price that is less than fair market value on the date of grant in order to preserve an existing gain under any similar type of award previously granted by Kraft Foods or another entity to the extent that the existing gain would otherwise be diminished without payment of adequate compensation to the holder of the award for such diminution;

cancel or adjust the terms of an outstanding award (except as otherwise provided under an award agreement), if appropriate to reflect a substitution of an award of equivalent value granted by another entity;

make certain adjustments in connection with a spin-off or similar transaction, including (1) imposing restrictions on a distribution with respect to restricted stock or similar awards and (2) substituting comparable stock options to purchase the stock of another entity or substituting comparable SARs, restricted stock units, deferred stock units, or other stock-based awards denominated in the stock of another entity (in which case such stock of another entity will be treated in the same manner as common stock under the Amended Plan), which may be settled in cash, our common stock, stock of another entity or other securities or property, as determined by the Compensation Committee; and

provide for payment of outstanding awards in cash (including cash in lieu of fractional awards), provided that any payment is exempt from or complies with Section 409A of the Code.

Any adjustments, substitutions, or other actions described above that are made or taken in connection with corporate transactions or events described above and that affect outstanding awards previously granted under the 2001 Plan shall be deemed made pursuant to the 2001 Plan and from shares of common stock reserved under the 2001 Plan rather than from those available for awards under the Amended Plan.

Annual and Long-Term Incentive Awards. Annual and long-term incentive awards may be granted under the Amended Plan. These awards will be earned only if corporate, business unit or individual performance objectives over the performance cycles established by or under the direction of the Compensation Committee are met. For a discussion of performance objectives, see *Performance Objectives* below. Incentive awards may be paid in the form of cash, shares of common stock, or in any combination thereof, as determined by the Compensation Committee.

Stock Options. The Amended Plan permits the granting to eligible employees of incentive stock options (ISOs), which qualify for special tax treatment, and non-qualified stock options. The exercise price for any stock option will not be less than the fair market value of our common stock on the date of grant. No stock option may be exercised more than ten years after the grant date. Unless otherwise determined by the

Compensation Committee, payment of the exercise price may be made in the form of

Table of Contents

our common stock already owned by the employee, provided that the shares were not acquired by the employee within six months following the exercise of a stock option or SAR, within six months after the vesting of restricted stock, or within six months after the receipt of common stock from Kraft Foods, whether in settlement of any award or otherwise.

SARs. SARs may be granted either singly or in combination with underlying stock options. SARs entitle the holder upon exercise to receive an amount in any combination of cash or shares of common stock (as determined by the Compensation Committee) equal in value to the excess of the fair market value of the shares covered by such right over the grant price (Spread Value). The grant price for SARs will not be less than the fair market value of our common stock on the date of grant. No SARs may be exercised more than ten years after the grant date.

Restricted Stock. Shares of restricted common stock may also be awarded. The restricted stock will vest and become transferable upon the satisfaction of conditions set forth in the applicable restricted stock award agreement. Restricted stock awards may be forfeited if, for example, the recipient's employment terminates before the award vests. Except as specified in the applicable restricted stock award agreement, while the holder of a restricted stock award may not sell, assign, transfer, pledge, or otherwise encumber the shares during the restricted period, he or she will have all other rights of a holder of common stock on his or her restricted shares.

Restricted Stock Units and Deferred Stock Units. Restricted stock units and deferred stock units may be granted under the Amended Plan. Restricted stock units and deferred stock units represent the right to receive shares of common stock, cash, or a combination of both, upon satisfaction of conditions set forth in the applicable award agreement. Restricted and deferred stock unit awards may be forfeited if, for example, the recipient's employment terminates before the award vests. Except as specified in the applicable award agreement, the recipient may not sell, assign, transfer, pledge, or otherwise encumber the shares during the restricted period and will have none of the rights of a holder of common stock unless and until shares of common stock are actually delivered in satisfaction of the restrictions and other conditions of such units.

Other Stock-Based Awards. The Amended Plan also provides for awards that are denominated in, valued by reference to, or otherwise based on or related to, our common stock. These awards may include, without limitation, performance shares that entitle the recipient to receive, upon satisfaction of performance goals or other conditions, a specified number of shares of our common stock or the cash equivalent thereof. When the value of such stock-based award is based on the difference between the fair market value of the shares covered by such award and the exercise price, the grant price for the award will not be less than the fair market value of our common stock on the date of grant.

Vesting. Awards granted under the Amended Plan will vest at such time or times as determined by the Compensation Committee. However, no condition relating to the vesting of an award that is based upon performance objectives will be based on a performance cycle of less than one year, and no condition that is based upon continued employment or the passage of time alone will provide for vesting of an award more rapidly than in installments over three years from the date the award is made, except:

upon the death, disability or retirement of the participant;

upon a Change in Control (as defined in the Amended Plan);

for stock options and SARs;

for any award paid in cash; and

for up to 5% of the total shares authorized under the Amended Plan, or 8,400,000 shares, of common stock that may be subject to awards without any minimum vesting period (limit includes shares subject to awards granted prior to May 20, 2009).

Change in Control Provisions. The Amended Plan provides that any awards, other than incentive awards, that are either assumed by a successor corporation or an affiliate or replaced with equity awards that preserve the existing value of the awards at the time of a Change in Control (as defined in the Amended Plan) and provide for payout in accordance with the same or more favorable performance goals and vesting schedule will remain outstanding according to the terms of such awards. However, if, within two years after the Change in Control, the participant's employment is terminated without cause or, for a participant eligible to participate in our Change in Control Plan for Key Executives, the participant terminates his or her employment for good reason (each as defined in the Amended Plan), the participant's outstanding options and

Edgar Filing: KRAFT FOODS INC - Form DEF 14A

SARs will become fully vested and immediately exercisable and restrictions applicable to restricted stock awards, restricted and deferred stock unit awards, and other stock-based awards will lapse, and such awards will become fully vested.

Table of Contents

If awards, other than incentive awards, are not assumed by the successor corporation or an affiliate or replaced as described above, outstanding options and SARs will become fully vested and immediately exercisable and restrictions applicable to restricted stock awards, restricted and deferred stock unit awards, and other stock-based awards will lapse, and such awards will become fully vested. However, alternatively, the Board may provide for the cancellation of any such awards outstanding at the time of the Change in Control and, upon the consummation of the Change in Control, payment of an amount to each affected participant that is at least equal to the excess (if any) of the value of the consideration paid to Kraft Foods' shareholders in connection with the Change in Control over the exercise or purchase price (if any) for the award.

In addition, incentive awards for which the right to payment has been earned in prior performance cycles but not paid out will become immediately payable in cash. Also, each participant holding an incentive award will be deemed to have earned a pro rata portion of the target amount payable to the participant under the award determined by dividing the number of months (full or partial) elapsed in the performance cycle prior to the Change in Control by the total number of months in the performance cycle.

Except as otherwise specified in an award agreement, any of the Change in Control provisions discussed above that change the timing of payment of an award will not be applicable to an award subject to Section 409A of the Code.

Plan Amendment and Termination. The Board may at any time and from time to time amend the Amended Plan in whole or in part. However, our shareholders must approve any amendment to the Amended Plan that would:

materially increase the benefits accruing to the participants;

materially increase the number of securities that may be issued under the Amended Plan;

materially modify the requirements for participation in the Amended Plan; or

otherwise require shareholder approval in order to comply with applicable law or the rules of the NYSE or, if the shares of common stock are not traded on the NYSE, the principal national securities exchange upon which the shares of common stock are traded or quoted.

Except in connection with a corporate transaction described above under Shares Reserved for Awards, without shareholder approval, the terms of outstanding awards may not be amended to reduce the exercise price of outstanding stock options or the base price of outstanding SARs, or cancel outstanding stock options or SARs in exchange for cash, other awards or stock options or SARs with an exercise price or base price, as applicable, that is less than the exercise price of the original stock option or base price of the original SAR, as applicable.

Except as discussed in the preceding paragraph, the Board may amend the terms of any award granted under the Amended Plan prospectively or retroactively. However, except in connection with a corporate transaction described above under Shares Reserved for Awards, no such amendment may impair the rights of any participant without his or her consent. The Board may, in its discretion, terminate the Amended Plan at any time. Termination of the Amended Plan will not affect the rights of participants or their successors under any outstanding awards that are not exercised in full on the date of termination.

Performance Objectives. When so determined by the Compensation Committee, stock options, SARs, restricted stock, restricted stock units, deferred stock units, other stock-based awards and incentive awards may specify performance objectives. The performance objectives may vary from employee to employee, group to group, and period to period. The performance objectives for awards that are intended to constitute performance-based compensation under Section 162(m) of the Code will be based upon one or more measures including : earnings per share, total shareholder return, return on equity, return on capital, net income, adjusted net income, cash flow, operating income and Economic Value Added, as defined in the Amended Plan. In addition, the Amended Plan adds the following measures to those currently provided under the plan: net earnings (before or after taxes), net sales or revenue growth, net operating profit or income, return measures (including, but not limited to, return on assets, invested capital, sales, or revenue), operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment, earnings before or after taxes, interest, depreciation, and/or amortization, gross or operating margins, productivity ratios, share price (including, but not limited to, growth measures), cost control, margins, operating efficiency, market share, customer satisfaction or employee satisfaction, working capital, management development, succession planning, taxes, and depreciation and amortization. The Compensation Committee believes that the additional measures provide it greater flexibility to award bonuses that reward achievement of Kraft Foods' strategic

goals and are consistent with its compensation philosophy.

Table of Contents**United States Federal Income Tax Consequences**

Non-qualified Stock Options. Non-qualified stock options granted under the Amended Plan will not be taxable to an employee at grant but generally will result in taxation at exercise, at which time the employee will recognize ordinary income in an amount equal to the difference between the option's exercise price and the fair market value of the shares on the exercise date. Kraft Foods will be entitled to deduct a corresponding amount as a business expense in the year the employee recognizes this income.

Incentive Stock Options. An employee will generally not recognize ordinary income on receipt or exercise of an ISO so long as he or she has been an employee of Kraft Foods from the date the ISO was granted until three months before the date of exercise; however, the amount by which the fair market value of the shares on the exercise date exceeds the exercise price is an adjustment in computing the employee's alternative minimum tax in the year of exercise. If the employee holds the shares of our common stock received on exercise of the ISO for one year after the date of exercise (and for two years from the date of grant of the ISO), any difference between the amount realized upon the disposition of the shares and the amount paid for the shares will be treated as long-term capital gain (or loss, if applicable) to the employee. If the employee exercises an ISO and satisfies these holding period requirements, Kraft Foods will not deduct any amount in connection with the ISO.

If an employee exercises an ISO but engages in a disqualifying disposition by selling the shares acquired on exercise before the expiration of the one and two-year holding periods described above, the employee generally will recognize ordinary income (for regular income tax purposes only) in the year of the disqualifying disposition equal to the excess, if any, of the fair market value of the shares on the date of exercise over the exercise price; and any further gain will be taxed as long- or short-term capital gain (as applicable). If, however, the fair market value of the shares on the date of the disqualifying disposition is less than on the date of exercise, the employee will recognize ordinary income equal only to the difference between the amount realized on the disqualifying disposition and the exercise price. In either event, Kraft Foods will be entitled to deduct an amount equal to the amount constituting ordinary income to the employee as a business expense in the year of the disqualifying disposition.

SARs. To the extent that the requirements of the Code are met, there are no immediate tax consequences to an employee when a SAR is granted. When an employee exercises the right to the appreciation in fair market value of shares represented by the SAR, payments made in stock or cash are normally includable in the employee's gross income for regular income tax purposes. Kraft Foods will be entitled to deduct the same amount as a business expense in the same year. In the case of payments in stock, the includable amount and corresponding deduction each equal the fair market value of the shares on the date of exercise.

Restricted Stock. The recognition of income from an award of restricted stock for federal income tax purposes depends on the restrictions imposed on the shares. Generally, taxation will be deferred until the first taxable year the shares are no longer subject to substantial risk of forfeiture. At the time the restrictions lapse, the employee will recognize ordinary income equal to the then fair market value of the stock. The employee may, however, make an election to include the value of the shares in gross income in the year of grant despite such restrictions. Generally, Kraft Foods will be entitled to deduct the fair market value of the shares transferred to the employee as a business expense in the year the employee includes the compensation in income.

Restricted Stock Units/Deferred Stock Units/Other Stock-Based Awards/Incentive Awards. Any cash payments or the fair market value of any common stock or other property an employee receives in connection with restricted stock units, deferred stock units, other stock-based awards, incentive awards, or as unrestricted payments equivalent to dividends on unfunded awards or on restricted stock are includable in income in the year received or made available to the employee without substantial limitations or restrictions. Generally, Kraft Foods will be entitled to deduct the amount the employee includes in income as a business expense in the year of payment.

Deferred Compensation. Any deferrals made under the Amended Plan, including awards granted under the plan, that are considered to be deferred compensation, must satisfy the requirements of Section 409A of the Code to avoid adverse tax consequences to participating employees. These requirements include limitations on election timing, acceleration of payments, and distributions. Kraft Foods intends to structure any deferrals and awards under the Amended Plan to meet the applicable tax law requirements.

Deductibility of Awards. Section 162(m) of the Code places a \$1,000,000 annual limit on the compensation deductible by Kraft Foods paid to certain of its executives. The limit, however, does not apply to qualified performance-based compensation. Assuming shareholder approval of the Amended Plan, Kraft Foods believes that awards of stock options, SARs and certain

Table of Contents

other performance-based compensation awards under the Amended Plan will qualify for the performance-based compensation exception to the deductibility limit. State tax consequences may in some cases differ from those described above. Awards under the Amended Plan will in some instances be made to employees who are subject to tax in jurisdictions other than the United States and may result in tax consequences differing from those described above.

Other Tax Consequences. The foregoing discussion does not address the possible tax consequences under local, state, or foreign tax laws.

Other Information

If approved by shareholders, the Amended Plan will become effective on May 20, 2009. No awards will be made under the Amended Plan after May 20, 2019. Any awards granted before May 20, 2019 may extend beyond that date. The Amended Plan provides that, except as provided in the applicable award agreement or otherwise required by law, an award may not be transferred or assigned except in the event of the employee's death. In no event may any award be transferred in exchange for consideration. Other terms and conditions of each award will be set forth in award agreements, which can be amended by the Compensation Committee, provided that no amendment may materially and adversely affect an award without the award recipient's consent, except as necessary to comply with applicable law or avoid adverse tax consequences to some or all plan participants. Other than with respect to stock options, unearned performance shares, and SARs, awards under the Amended Plan may earn dividends or dividend equivalents, as determined by the Compensation Committee.

The Amended Plan constitutes an unfunded plan for incentive and deferred compensation. The Amended Plan authorizes the creation of trusts and other arrangements to facilitate or ensure payment of Kraft Foods' obligations.

The number of shares to be issued upon exercise or vesting of awards issued under, and the number of shares remaining available for future issuance under, our existing equity compensation plans, including the Current Plan, at December 31, 2008 were:

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights ⁽¹⁾	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans
Equity compensation plans approved by security holders	44,452,148	\$24.74	95,488,159

(1) Includes vesting of deferred and long-term incentive plan stock.

On March 12, 2009, the closing price of our common stock, as reported by the NYSE, was \$22.26 per share.

The Board recommends a vote FOR the approval of the Kraft Foods Inc. Amended and Restated 2005 Performance Incentive Plan, as amended and restated as of May 20, 2009.

Table of Contents

AUDIT COMMITTEE MATTERS

The Board established the Audit Committee in accordance with Section 3(a)(58)(A) of the Exchange Act. The Board determined that all members of the Audit Committee are independent within the meaning of the NYSE's listing standards and Rule 10A-3 of the Exchange Act. The Board also determined that all committee members are financially literate within the meaning of the NYSE's listing standards and that John C. Pope and Fredric G. Reynolds are audit committee financial experts within the meaning of SEC regulations. Because Mr. Pope serves on the audit committees of more than three public companies, the Board reviewed his meeting attendance record and other relevant information and determined that Mr. Pope's simultaneous service on these audit committees does not impair his ability to serve effectively on our Audit Committee. No committee member received any payments in 2008 from us other than compensation received as a director.

Under its charter, the Audit Committee is responsible for overseeing our accounting and financial reporting processes and audits of our financial statements. Among other duties, the committee is directly responsible for the appointment and oversight of our independent auditors.

The committee has established procedures for the receipt, retention and treatment, on a confidential basis, of complaints received by Kraft Foods. We encourage employees, and individuals and organizations outside of Kraft Foods, to report concerns about our accounting controls, auditing matters or anything else that appears to involve financial or other wrongdoing. To report such matters, you should e-mail us at Kraft-FinancialIntegrity@Kraft.com.

Audit Committee Report for the Year Ended December 31, 2008

To our Shareholders:

Management has primary responsibility for Kraft Foods' financial statements and the reporting process, including the systems of internal control over financial reporting. The Audit Committee monitors the financial reporting processes and systems of internal control over financial reporting, the independence and performance of Kraft Foods' independent auditors, and the performance of its internal auditors.

Management represented to the Audit Committee that Kraft Foods' consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. The Audit Committee reviewed and discussed the consolidated financial statements with management and the independent auditors. Management also represented that they assessed the effectiveness of Kraft Foods' internal control over financial reporting as of December 31, 2008, and determined that, as of that date, Kraft Foods maintained effective internal control over financial reporting. The Audit Committee reviewed and discussed with management and the independent auditors this assessment of internal control over financial reporting.

The Audit Committee also discussed with the independent auditors both their evaluation of the accounting principles, practices and judgments applied by management, and any items required to be communicated to it by the independent auditors in accordance with applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the Audit Committee concerning independence.

The Audit Committee received from the independent auditors a letter describing any relationships with Kraft Foods that may bear on their independence and discussed with the independent auditors the auditors' independence from Kraft Foods and its management. The Audit Committee reviewed and approved the audit fees of the independent auditors. The Audit Committee also reviewed non-audit services and fees to assure compliance with regulations prohibiting the independent auditors from performing specified services that might impair their independence, as well as compliance with Kraft Foods' and the Audit Committee's policies.

The Audit Committee discussed with the internal auditors and independent auditors the overall scope and plans for their respective audits for the year 2009. The Audit Committee met and will meet with the internal auditors and with the independent auditors, separately, with and without management present, to discuss the financial reporting processes and internal accounting controls. The Audit Committee reviewed significant audit findings prepared by the independent auditors and those prepared by the internal auditors, together with management's responses.

Table of Contents

Based upon the reports and discussions described in this report and without other independent verification, the Audit Committee recommended to the Board, and the Board approved, that the audited consolidated financial statements be included in Kraft Foods Annual Report on Form 10-K for the year ended December 31, 2008, which we filed with the SEC on February 27, 2009.

Audit Committee:

John C. Pope, Chair

Jan Bennink*

Fredric G. Reynolds

Frank G. Zarb