KRAFT FOODS INC
Form DEF 14A
March 31, 2011

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))

x 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):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(1) Amount Previously Paid:

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

THREE LAKES DRIVE
NORTHFIELD, ILLINOIS 60093

March 31, 2011

Dear Fellow Shareholder:

I am pleased to invite you to our 2011 Annual Meeting of Shareholders. We will hold the Annual Meeting at 9:00 a.m. CDT on Tuesday, May 24, 2011, at the North Shore Center for the Performing Arts in Skokie, Illinois. The Center will open to shareholders at 8:00 a.m. CDT.

We have prepared the following materials for the meeting:

- a Notice of Annual Meeting of Shareholders;
- a Proxy Statement describing the proposals to be voted on at the Annual Meeting; and
- our letter to shareholders highlighting our 2010 financial and business performance.

On March 31, 2011, we mailed to our shareholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access these materials online. We believe electronic delivery will expedite the receipt of materials, while lowering costs and reducing the environmental impact of our Annual Meeting by reducing printing and mailing of full sets of materials. If you receive a Notice of Internet Availability of Proxy Materials by mail, you will not receive a paper copy of the materials, unless you specifically request one. The Notice of Internet Availability of Proxy Materials contains instructions on how you may request a paper copy of the materials. If you receive a paper copy of the materials, it will include a proxy card.

Whether or not you plan to attend the Annual Meeting, I encourage you to vote promptly. You may vote via the Internet or by calling a toll-free number. If you receive the proxy card or voting instruction form by mail, you may also vote by signing, dating and mailing your properly executed proxy card or voting instruction form. The Proxy Statement and the proxy card or voting instruction form include detailed voting instructions. You may also vote in person at the Annual Meeting.

Please register in advance if you would like to attend the Annual Meeting. The Proxy Statement contains the pre-registration instructions.

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

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

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

KRAFT FOODS INC.

Three Lakes Drive

Northfield, Illinois 60093

NOTICE OF 2011 ANNUAL MEETING OF SHAREHOLDERS

TIME AND DATE:	9:00 a.m. CDT on Tuesday, May 24, 2011.
PLACE: 9501 Skokie Boulevard Skokie, Illinois 60077	North Shore Center for the Performing Arts in Skokie
ITEMS OF BUSINESS:	(1) To elect the 11 directors named in the Proxy Statement; (2) To hold an advisory vote on executive compensation; (3) To hold an advisory vote on the frequency of an executive compensation vote; (4) To approve the Kraft Foods Inc. Amended and Restated 2006 Stock Compensation Plan for Non-Employee Directors; (5) To ratify the selection of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2011; and (6) To transact other business properly presented at the meeting.
BOARD RECOMMENDATION:	The Board recommends that shareholders vote ***for*** Items 1, 2, 4 and 5. With regards to Item 3, the Board recommends that shareholders vote for a frequency of every one year.
WHO MAY VOTE:	Shareholders of record at the close of business on March 16, 2011.

DATE OF DISTRIBUTION:	We mailed our Notice of Internet Availability of Proxy Materials on or about March 31, 2011. For shareholders who previously elected to receive a paper copy of the proxy materials, we mailed the Proxy Statement, our Annual Report on Form 10-K for the year ended December 31, 2010, our letter to shareholders and the proxy card on or about March 31, 2011.
MATERIALS AVAILABLE ON OUR WEB SITE:	This Notice of Meeting, the Proxy Statement, our Annual Report on Form 10-K for the year ended December 31, 2010 and our letter to shareholders are available at *http://materials.proxyvote.com/50075N*.

Carol J. Ward

Vice President and Corporate Secretary

March 31, 2011

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ITEM 1. ELECTION OF DIRECTORS

Process for Nominating Directors

The Nominating and Governance Committee of our Board of Directors is responsible for identifying, evaluating and recommending to the Board nominees for election at the 2011 Annual Meeting of Shareholders (and any adjournments or postponements of the meeting) (the Annual Meeting). The Nominating and Governance Committee relies on nominee suggestions from the directors, shareholders, management and others. From time to time, the Nominating and Governance Committee retains executive search and board advisory firms to assist in identifying and evaluating potential nominees. During 2010 and early 2011, the Nominating and Governance Committee retained Heidrick & Struggles to assist in the search and recruitment of directors, resulting in the Board s nomination of Peter B. Henry as a director nominee at the Annual Meeting.

General Qualifications

The Board believes all directors should possess certain personal characteristics, including integrity, sound business judgment and vision, to serve on our Board. We believe these characteristics are necessary to establish a competent, ethical and well-functioning Board that best represents the interests of our business, shareholders, employees, business partners and consumers. Under our Corporate Governance Guidelines (the Guidelines), when evaluating the suitability of individuals for nomination, the Nominating and Governance Committee takes into account many factors. These include the individual s general understanding of the varied disciplines relevant to the success of a large, publicly traded company in a global business environment, understanding of our global businesses and markets, professional expertise and education. The Nominating and Governance Committee also considers an individual s ability to devote sufficient time and effort to fulfill his or her Kraft Foods responsibilities, taking into account the individual s other commitments. In addition, the Board considers whether an individual meets various independence requirements, including whether his or her service on boards and committees of other organizations is consistent with our conflicts of interest policies.

When determining whether to recommend a director for re-election, the Nominating and Governance Committee also considers the director s attendance at Board and committee meetings and participation in, and contributions to, Board and committee activities. In addition, under the Guidelines, the Nominating and Governance Committee generally will not recommend, and the Board will not approve, the nomination for re-election of an independent director who has reached the age of 75. However, if the Board determines that the director s nomination for re-election is in our shareholders best interests, the Nominating and Governance Committee may recommend, and the Board may approve, the director s nomination for re-election for up to two annual terms following his or her 75th birthday. Additionally, an employee director must resign from the Board upon ceasing to be a Kraft Foods officer.

Diversity

The Guidelines provide that the Nominating and Governance Committee will consider factors that promote diversity of views and experience when evaluating the suitability of individuals for nomination. While we have no formal written policy regarding what specific factors would create a diversity of views and experience, the Nominating and Governance Committee recognizes diversity s significant benefit to the Board and Kraft Foods, as varying viewpoints contribute to a more informed and effective decision-making process. The Nominating and Governance Committee seeks broad experience in relevant industries, professions and areas important to our operations, including global business, manufacturing, marketing, science, finance and accounting, academia, law and government. The Nominating and Governance Committee also recognizes the importance of having directors with significant international experiences and backgrounds given our global, multicultural business.

As shown below, our director nominees have varied experiences, backgrounds and personal characteristics, which ensure that the Board will have a diversity of viewpoints and enable it to ably represent our business, shareholders, employees, business partners and consumers:

- 9 director nominees are current or former presidents or chief executive officers of large enterprises;
- 8 director nominees currently hold or held key positions at global consumer products companies, including food and beverage companies;
- 3 director nominees have significant financial and accounting backgrounds;
- 3 director nominees are current or former professors at leading institutions;
- 1 director nominee has a strong background in science and medicine;
- 3 director nominees are women, including the Chairman;
- 3 director nominees are working or have worked outside the United States;
- 1 director nominee is African-American;
- 1 director nominee is Asian-American; and
- the age range for the director nominees is 41 72.

Individual Skills and Experience

When evaluating potential director nominees, the Nominating and Governance Committee considers each individual s professional expertise and educational background in addition to the general qualifications. The Nominating and Governance Committee evaluates each individual in the context of the Board as a whole. The Nominating and Governance Committee works with the Board to determine the appropriate mix of backgrounds and experiences that would establish and maintain a Board that is strong in its collective knowledge, allowing the Board to fulfill its responsibilities and best perpetuate our long-term success and represent our shareholders interests. To help the Nominating and Governance Committee determine whether director nominees qualify to serve on our Board and would contribute to the Board s current and future needs, director nominees complete questionnaires regarding their backgrounds, qualifications, skills and potential conflicts of interest. Additionally, the Nominating and Governance Committee conducts both Board and individual director evaluations that assess the experience, skills, qualifications and contributions of each individual and of the group as a whole. These annual reviews promote a diversity of views, backgrounds and experiences that enhance the Board s success at achieving these goals.

The Nominating and Governance Committee regularly communicates with the Board to identify backgrounds, qualifications, professional experience and areas of expertise that impact our business that are particularly desirable for our directors to possess to help meet specific Board needs, including:

- *industry knowledge*, which is vital in understanding and reviewing our strategy, including the acquisition of businesses that offer complementary products or services;

significant operating experience as current or former executives, which gives directors specific insight into, and expertise that will foster active participation in, the development and implementation of our operating plan and business strategy;

leadership experience, as directors who have served in significant leadership positions possess strong abilities to motivate and manage others and to identify and develop leadership qualities in others;

substantial global business experience, which is particularly important given our global presence;

accounting and financial expertise, which enables directors to analyze our financial statements, capital structure and complex financial transactions and oversee our accounting and financial reporting processes;

product development and marketing experience in complementary industries, which contributes to our identification and development of new food and beverage products and implementation of marketing strategies that will improve our performance;

public company board and corporate governance experience at large publicly traded companies, which provides directors with a solid understanding of their extensive and complex oversight responsibilities and furthers our goals of greater transparency, accountability for management and the Board and protection of shareholder interests; and

academic and research experience, which enhances the diversity of views and backgrounds represented by our directors.

The following table highlights each director nominee s specific skills, knowledge and experiences that the Nominating and Governance Committee relied upon when determining whether to nominate the individual for election. A particular nominee may possess other skills, knowledge or experience even though they are not indicated below.

	Industry	**Operating**	**Leadership**	**Global Business**	**Accounting and Financial**	**Product Development and Marketing**	**Public Company Board/ Corporate Governance**	**Academic and Research**
Ajaypal S. Banga	Ö	Ö	Ö	Ö		Ö	Ö	
Myra M. Hart	Ö	Ö	Ö			Ö	Ö	Ö
Peter B. Henry			Ö	Ö	Ö			Ö
Lois D. Juliber	Ö	Ö	Ö	Ö		Ö	Ö	
Mark D. Ketchum	Ö	Ö	Ö	Ö		Ö	Ö	
Richard A. Lerner			Ö				Ö	Ö
Mackey J. McDonald	Ö	Ö	Ö	Ö			Ö	
John C. Pope		Ö	Ö	Ö	Ö	Ö	Ö	
Fredric G. Reynolds	Ö	Ö	Ö	Ö	Ö		Ö	
Irene B. Rosenfeld	Ö	Ö	Ö	Ö		Ö	Ö	
Jean-François M.L. van Boxmeer	Ö	Ö	Ö	Ö		Ö		

The Board believes that all the director nominees for election at the Annual Meeting are highly qualified. As the table shows, the director nominees have significant leadership and professional experiences, knowledge and skills that qualify them for service on our Board, and as a group represent diverse views, experiences and backgrounds. Additionally, each nominee other than the Chairman satisfies independence requirements, and all director nominees satisfy the criteria set forth in our Guidelines and possess the personal characteristics that are essential for the proper and effective functioning of the Board. Each nominee s biography below contains additional information regarding his or her experiences, qualifications and skills.

Director Nominees

Our Board currently has 12 directors. All Board members are subject to annual election. Shareholders elected all of the current directors at the 2010 Annual Meeting. Deborah C. Wright has declined to stand for re-election due to other commitments. Frank G. Zarb has declined to stand for re-election as he is 76 years old, which is over the retirement age under our Guidelines, as discussed above. Our other ten current directors have consented to their nominations and are standing for re-election. Additionally, the executive search firm Heidrick & Struggles identified Peter B. Henry to the Nominating and Governance Committee. In March 2011, the Nominating and Governance Committee recommended, and the Board approved, Dr. Henry as a director nominee at the Annual Meeting. Dr. Henry has consented to his nomination for election to the Board. The Board also reduced the number of directors on our Board from 12 to 11 members coincident with the Annual Meeting.

The Nominating and Governance Committee recommended to the Board, and the Board approved, the nomination of the 11 director nominees listed below, each for a term ending at the 2012 Annual Meeting of Shareholders or until his or her successor has been duly elected and qualified.

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

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

The following table presents information regarding each director nominee as of March 31, 2011, including information about each nominee s professional experience, educational background and qualifications that led the Board to nominate him or her for election. The following also includes information about all public company directorships each nominee currently holds and held during the past five years.

Ajaypal S. Banga President and Chief Executive Officer, MasterCard Worldwide Director since January 2007 Committees: Chair, Human Resources and Compensation Finance Age: 51	*Professional Experience:* Mr. Banga has been President and Chief Executive Officer of MasterCard Worldwide, a global payments solutions company, since July 2010, and a member of its board of directors since April 2010. He served as MasterCard s President and Chief Operating Officer from August 2009 to June 2010. Prior to that, Mr. Banga spent 13 years at Citigroup Inc., a global financial services company. He most recently served as Chief Executive Officer of Citigroup s Asia Pacific region from March 2008 until July 2009. Mr. Banga also 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. Prior to joining Citigroup, Mr. Banga spent 13 years at Nestlé S.A. and two years at PepsiCo Restaurants in a variety of sales, marketing and general management positions. *Education:* Mr. Banga received a Bachelor s Degree in Economics from Delhi University and is an alumnus of the Indian Institute of Management in Ahmedabad, India. *Public Company Boards:* Mr. Banga is a director of MasterCard Incorporated. *Director Qualifications:* Leadership and Operating experience current President and Chief Executive Officer of a global services company and former Chief Executive Officer of a major business segment of another global services company

Industry Knowledge and Marketing and Global Business experience held a variety of key roles at global food and beverage companies during a 15-year period

Public Company Board and Corporate Governance experience current director of another global public company

Myra M. Hart

Professor, Harvard Business School (Retired)

Director since December 2007

Committees:

Chair, Nominating and Governance

Audit

Age: 70

Professional Experience:

Dr. Hart joined the faculty of the Harvard Business School in 1995 as a professor of management practice and retired to its senior faculty in 2008. From 1985 until 1990, Dr. Hart was a member of the team that founded Staples, Inc., an office supply retail store chain, leading operations, strategic planning and growth implementation in new and existing markets. She was Director of Marketing for Star Market, a division of SUPERVALU Inc., a U.S. grocery company, from 1983 to 1985.

Education:

Dr. Hart received a Bachelor s Degree from Cornell University and a Master of Business Administration and a Doctor of Business Administration from Harvard University.

Public Company Boards:

Dr. Hart is a director of Office Depot Inc. Dr. Hart was formerly a director of Royal Ahold N.V. and Summer Infant, Inc.

Director Qualifications:

Leadership and Operating experience founding officer of a global office products company

Industry Knowledge and Marketing experience former Director of Marketing of a division of a large U.S. grocery company and former Director of a global supermarket company

Public Company Board and Corporate Governance experience current and former director of several public companies

Academic experience retired professor of management practice at a leading business school

Peter B. Henry

Dean, Leonard N. Stern School of Business, New York University

Director Nominee

Age: 41

Professional Experience:

Dr. Henry has been Dean of the Leonard N. Stern School of Business at New York University since January 2010. Prior to that, Dr. Henry was on the faculty at Stanford University since 1997, where he held various positions, including Konosuke Matsushita Professor of International Economics, John and Cynthia Fry Gunn Faculty Scholar and Associate Director of the Stanford Center for Global Business and the Economy from 2008 to 2009, Professor of Economics from 2007 to 2008 and Tenured Associate Professor of Economics from 2005 to 2007.

Education:

Dr. Henry received a Bachelor s Degree in Economics from the University of North Carolina at Chapel Hill; a Bachelor s Degree in Mathematics from Oxford University; and a Doctor of Philosophy in Economics from Massachusetts Institute of Technology.

Director Qualifications:

Leadership and Global Business experience and Financial expertise current Dean and professor of economics and associate director of a global business center; served in governmental advisory roles, including leadership of President Obama s Transition Team s review of international lending agencies and an economic advisor to governments in developing markets

Academic and Research experience Dean and professor of economics at leading business schools and member of economic research and foreign relations organizations

Lois D. Juliber

Former Vice Chairman and Chief Operating Officer, Colgate-Palmolive Company

Director since November 2007

Committees:

Human Resources and Compensation

Nominating and Governance

Age: 62

Professional Experience:

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. Prior to joining Colgate-Palmolive, Ms. Juliber spent 15 years at our predecessor, General Foods Corporation, in a variety of key marketing and general management positions.

Education:

Ms. Juliber received a Bachelor s Degree from Wellesley College and a Master of Business Administration from Harvard University.

Public Company Boards:

Ms. Juliber is a director of E.I. du Pont De Nemours and Company and Goldman Sachs Group, Inc.

Director Qualifications:

Leadership and Operating experience former Vice Chairman and Chief Operating Officer of a global consumer products company

Industry Knowledge and Marketing and Global Business experience 32 years working in the global consumer products industry

Public Company Board and Corporate Governance experience current director of two global public companies

Mark D. Ketchum

President and Chief Executive Officer, Newell Rubbermaid Inc.

Director since April 2007

Lead Director since January 2009

Professional Experience:

Mr. Ketchum has been President and Chief Executive Officer of Newell Rubbermaid Inc., a global marketer of consumer and commercial products, since October 2005 and a member of its board of directors since November 2004. 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 The Procter & Gamble Company in 1971, where he 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.

Mr. Ketchum has announced his intention to retire as President and Chief Executive Officer of Newell Rubbermaid later this year, but he will remain on its board of directors.

Education:

Mr. Ketchum received a Bachelor s Degree in Industrial Engineering and Operations Research from Cornell University.

Committees:

Human Resources and Compensation

Nominating and Governance

Age: 61

Public Company Boards:

Mr. Ketchum is a director of Newell Rubbermaid Inc. He was formerly a director of Hillenbrand Industries, Inc.

Director Qualifications:

Leadership and Operating experience current President and Chief Executive Officer of a global products company and former President of a division of a global consumer products company

Industry Knowledge and Product Development, Marketing and Global Business experience held key roles at global consumer products companies for four decades

Public Company Board and Corporate Governance experience current and former director of global public companies

Richard A. Lerner, M.D.

President, The Scripps Research Institute

Director since January 2005

Committees:

Nominating and Governance

Public Affairs

Age: 72

Professional Experience:

Dr. Lerner has been President and a member of the Board of Trustees of The Scripps Research Institute, a private, non-profit biomedical research organization, since 1986.

Education:

Dr. Lerner received a Bachelor s Degree from Northwestern University and a Doctor of Medicine Degree from Stanford Medical School. He interned at Palo Alto Stanford Hospital and received postdoctoral training at Scripps Clinic and Research Foundation in experimental pathology.

Public Company Boards:

Dr. Lerner is a director of Opko Health, Inc. and Sequenom, Inc.

Director Qualifications:

Leadership experience current President of biomedical research foundation

Public Company Board and Corporate Governance experience current director of two leading life science-related public companies

Academic and Research experience credited with over 60 patents and 400 published scientific papers

Mackey J. McDonald

Senior Advisor, Crestview Partners

Director since January 2010

Committees:

Audit

Public Affairs

Professional Experience:

Mr. McDonald has served as a senior advisor to Crestview Partners, a private equity firm, since 2008. He served as Chairman of VF Corporation, an apparel manufacturer, from 1998 and as a director from 1993 until he retired in August 2008. He also served as Chief Executive Officer of VF Corporation from 1996 to January 2008 and as President from 1993 to March 1996.

Education:

Mr. McDonald received a Bachelor s Degree in English from Davidson College and a Master of Business Administration from Georgia State University.

Public Company Boards:

Mr. McDonald is a director of Hyatt Hotels Corporation and Wells Fargo & Company. Mr. McDonald was formerly a director of The Hershey Company, Tyco International, Ltd. and Wachovia Corporation.

Age: 64

Director Qualifications:

Leadership, Operating and Global Business experience former President and Chief Executive Officer of a global consumer products company

Industry Knowledge and Public Company Board and Corporate Governance experience current and former director of several global public companies, including companies in the food and consumer products industries

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John C. Pope

Chairman, PFI Group, LLC

Director since July 2001

Committees:

Chair, Finance

Human Resources and Compensation

Age: 62

Professional Experience:

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 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 Director, Vice Chairman, President, Chief Operating Officer, Chief Financial Officer and Executive Vice President, Marketing and Finance.

Education:

Mr. Pope received a Bachelor s Degree in Engineering and Applied Science from Yale University and a Master of Business Administration from Harvard University.

Public Company Boards:

Mr. Pope is a director 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. Mr. Pope was formerly a director of Federal-Mogul Corporation and MotivePower Industries, Inc.

Director Qualifications:

Leadership, Operating, Marketing and Global Business experience held key leadership roles, including President, Chief Operating Officer, Chief Financial Officer and Executive Vice President, Marketing and Finance of a global company

Accounting and Financial expertise Chairman of a financial management firm and former Chief Financial Officer and Executive Vice President, Marketing and Finance of a global company

Public Company Board and Corporate Governance experience current and former director and audit committee member of several public companies

Fredric G. Reynolds

Former Executive Vice President and Chief Financial Officer, CBS Corporation

Director since December 2007

Committees:

Chair, Audit

Finance

Age: 60

Professional Experience:

Mr. Reynolds served as Executive Vice President and Chief Financial Officer of CBS Corporation, a mass media company, from January 2006 until his retirement in August 2009. From 2001 until 2006, 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. He also served as Executive Vice President and Chief Financial Officer of CBS Corporation and its predecessor, Westinghouse Electric Corporation, from 1994 to 2000. Prior to that, Mr. Reynolds served in various capacities with PepsiCo, Inc., a food and beverage company, for twelve years, including Chief Financial Officer or Financial Officer at Pizza Hut, Pepsi Cola International, Kentucky Fried Chicken Worldwide and Frito-Lay.

Education:

Mr. Reynolds received a Bachelor s Degree in Business Administration in Finance from the University of Miami and is a certified public accountant.

Public Company Boards:

Mr. Reynolds is a director of AOL, Inc.

Director Qualifications:

Leadership, Operating and Global Business experience former President, Chief Executive Officer, Executive Vice President and Chief Financial Officer of global media companies and a global food and beverage company

Industry Knowledge 12 years in various positions, including key roles, at a global food and beverage company

Accounting and Financial expertise former Chief Financial Officer of a mass media company and certified public accountant

Public Company Board and Corporate Governance experience current director of another global public company

Irene B. Rosenfeld

Chairman and Chief Executive Officer, Kraft Foods Inc.

Director since June 2006

Age: 57

Professional Experience:

Ms. Rosenfeld was appointed Chief Executive Officer and a member of the Board 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 was 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 President of Operations, Technology, Information Systems and Kraft Foods Canada, Mexico and Puerto Rico.

Education:

Ms. Rosenfeld received a Bachelor s Degree in Psychology, a Master of Science in Business Administration and a Doctor of Philosophy in Marketing and Statistics from Cornell University.

Public Company Boards:

Ms. Rosenfeld was formerly a director of AutoNation Inc.

Director Qualifications:

Leadership and Operating experience current Chairman and Chief Executive Officer of Kraft Foods and former Chairman and Chief Executive Officer of a major business unit of another global food and beverage company

Industry Knowledge and Product Development, Marketing and Global Business experience long-time service in various positions, including key roles, at Kraft Foods and another global food and beverage company

Public Company Board and Corporate Governance experience former director of another public company

Jean-François M. L. van Boxmeer

Chairman of the Executive Board and Chief Executive Officer of Heineken N.V.

Director since January 2010

Professional Experience:

Mr. van Boxmeer has been Chairman of the Executive Board and Chief Executive Officer of Heineken N.V., a brewing company, since 2005 and a member of its Executive Board since 2001. He has been employed continuously by Heineken, in various capacities, since 1984, including General Manager of Heineken Italia from 2000 to 2001.

Education:

Mr. van Boxmeer received a Master Degree in Economics at Facultè Universitaires Notre Dame de la Paix S.J.

Director Qualifications:

Committees: Human Resources and Compensation Public Affairs	Leadership and Operating experience Chairman and Chief Executive Officer of a global brewing company Industry Knowledge and Product Development, Marketing and Global Business experience over two decades in various positions, including key roles, at a global brewing company

Age: 49

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

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 the written Guidelines that articulate our corporate governance philosophy, practices and policies, which it believes will help us achieve this goal.

Code of Business Conduct and Ethics for Non-Employee Directors and Code of Conduct for Employees

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

We also have a Code of Conduct that applies to all of our employees. The Code of Conduct reflects our values and contains important rules our employees must follow when conducting business to promote compliance and integrity. 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 and shareholders and those who live in the communities where we do business. Our employees ongoing compliance with the Code of Conduct will enhance not only our culture of honesty and integrity, but also our financial performance and shareholder value.

We will disclose on our Web site at *www.kraftfoodscompany.com/investor/corporate-governance* 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 on Our Web Site

Shareholders and others can access our corporate governance materials, including our:

- Articles of Incorporation,
- By-Laws,
- Guidelines,
- Board committee charters, and
- Ethics Code

on our Web site at *www.kraftfoodscompany.com/investor/corporate-governance*. Additionally, shareholders and others can access our Code of Conduct on our Web site at *www.kraftfoodscompany.com/responsibility/compliance-integrity*.

The information on our Web site is not, and will not be deemed to be, a part of this Proxy Statement or incorporated into any of our other filings with the U.S. Securities and Exchange Commission (SEC).

Board Leadership Structure

Our current Board leadership structure consists of:

- a combined Chairman and Chief Executive Officer,
- a Lead Director,
- qualified independent directors,
- independent Board committees, and
- governance practices that promote independent leadership and oversight.

The Guidelines provide that the Chief Executive Officer should also serve as Chairman. The Board believes that having one individual serve as both Chief Executive Officer and Chairman benefits Kraft Foods and our shareholders by allowing one person to speak on behalf of the company to our shareholders, employees, business partners and consumers. The Chief Executive Officer is generally in the best position to inform our independent directors about our global operations and issues important to Kraft Foods. Combining these roles also allows timely communication between management and the Board on critical business matters given the complexity and global reach of our business and ensures alignment of our business and strategic plans.

However, the Board periodically evaluates our leadership structure and determines whether combining these roles is in our best interests based on circumstances existing at the time. When determining the leadership structure that will allow the Board to effectively carry out its responsibilities and best represent our shareholders interests, the Board considers various factors, including our specific business needs, our operating and financial performance, industry conditions, the economic and regulatory environment, Board and committee annual self-evaluations, advantages and disadvantages of alternative leadership structures and our corporate governance practices.

Ms. Rosenfeld has served as our Chief Executive Officer and a director since June 2006. In 2007, the Board concluded that Ms. Rosenfeld should also serve as Chairman because of her extensive knowledge of Kraft Foods, the food industry and the competitive environment, her leadership experience and her dedication to working closely with other members of the Board. Based on current circumstances, the Board believes that continuing this leadership structure best meets our needs, as it has provided an effective balance of strong leadership and independent oversight during the last several years. Continuing this structure will provide Kraft Foods with consistent leadership, allowing the Board to focus on achieving our long-term business goals while navigating through challenging economic times and the ongoing Cadbury integration. Ms. Rosenfeld s first-hand knowledge of operations and strategic plans as Chief Executive Officer facilitates the Board s decision-making process because she chairs the Board meetings where the Board discusses strategic and business matters. Additionally, Ms. Rosenfeld s operational experience adds valuable perspective to the Board s risk oversight responsibilities.

Because the Board believes that independent Board leadership is important, it established the role of Lead Director for times when one individual serves as Chairman and Chief Executive Officer. The Lead Director is an independent director who serves as the principal liaison between the Chairman and the other independent directors and has similar responsibilities to those of the Chairman. The Board created the Lead Director position to increase the Board s effectiveness and promote open communication among independent directors. The Lead Director works with the Chairman and other members of the Board to provide independent leadership of the Board s affairs on behalf of our shareholders.

Under the Guidelines, the Lead Director, in consultation with the other independent directors, is responsible for:

- advising the Chairman as to an appropriate schedule of Board meetings;
- reviewing and providing the Chairman with input regarding the agendas and materials for the Board meetings;
- presiding at all Board meetings at which the Chairman is not present, including executive sessions of the independent directors at regularly scheduled Board meetings, and, as appropriate, apprising the Chairman of the topics considered;
- being available for consultation and direct communication with our shareholders;
- calling meetings of the independent directors when necessary and appropriate; and
- performing such other duties as the Board may from time to time delegate.

Our current Lead Director is Mark D. Ketchum, whom the Board appointed to that position in 2009. The Board believes that Mr. Ketchum is an effective Lead Director due to his independence, his leadership and operating experience from serving as president and chief executive officer of a global consumer products company and his corporate governance experience acquired while serving on public company boards.

We have adopted multiple other practices that ensure full involvement by independent directors in the decision-making process to further enhance the Board s independent leadership and oversight:

- *Independent Directors*. The Guidelines provide that the Chairman and Chief Executive Officer generally should be the only member of management to serve as a director.
- *Independent Committees*. The Board determined that all Board committees should consist entirely of independent directors.
- *Executive Sessions*. At each Board meeting, our independent directors meet without the Chief Executive Officer or any other members of management present to discuss issues important to Kraft Foods, including matters concerning management.
- *Special Meetings*. Our By-Laws allow the Lead Director, in addition to the Chairman, to call special meetings of the Board.
- *Annual Chairman and CEO Evaluation*. The Human Resources and Compensation Committee annually evaluates the Chief Executive Officer s performance. Additionally, the Nominating and Governance Committee annually reviews the Chief Executive Officer s performance and suitability as Chairman when determining whether to nominate her for re-election.
- *Board Determination of Leadership Structure*. The Board retains flexibility to change our leadership structure if it believes doing so would provide more effective independent oversight and is in Kraft Foods and our shareholders best interests.

The Board believes that the current leadership structure contributes to the Board s efficiency and effectiveness by having the person primarily responsible for our day-to-day operations also serve as Chairman of the Board. Our governance practices and director nomination process ensure that skilled and experienced independent directors continue to provide independent leadership to the Board while fulfilling their responsibilities. As a result, through this leadership structure, the Board effectively carries out its monitoring and oversight roles by acting as a unified whole, exhibiting strong leadership and independent oversight and making informed, independent decisions on behalf of our shareholders.

Oversight of Risk Management

Our business faces various risks, including strategic, financial, legal, regulatory, operational, accounting and reputational risks. Management is responsible for the day-to-day management and mitigation of risk. Identifying, managing and mitigating our exposure to these risks and effectively overseeing this process are critical to our operational decision-making and annual planning processes. Our Board delegates primary responsibility for overseeing risk assessment and management to the Audit Committee, although the Board retains ultimate responsibility for risk oversight. Pursuant to New York Stock Exchange (NYSE) listing standards, the Audit Committee discusses guidelines and policies to govern the process by which management assesses and manages risk. In addition, as required in its charter, the Audit Committee reviews and discusses risk assessment and risk management guidelines, policies and processes utilized in our Enterprise Risk Management (ERM) approach. Our ERM approach is an ongoing process effected at all levels of our operations and across business units to identify, assess, monitor, manage and mitigate risk. The ERM approach facilitates open communication between management and the Board to ensure that the Board and committees understand our risk management process, how it is functioning, the participants in the process, key risks to our business and performance and the information gathered through the approach. The Audit Committee annually reviews the ERM approach, as well as the results of the assessment, to determine whether the process is functioning effectively.

The Audit Committee then annually allocates responsibility to the Board or a specific committee that is in the best position to review and assess both the key risk exposures and management s response to those exposures. Management periodically provides reports to the Board and relevant committees, in advance of meetings, regarding these key risks and the actions management has taken to monitor, control and mitigate these risks. Management also attends Board and committee meetings to discuss these reports and provide any updates. Committees then report key risk discussions to the Board following committee meetings. Board members may also further discuss the risk management process directly with members of management.

In addition to the ERM approach, throughout the year, the Board and each committee review and assess risks related to our business and operations as follows:

Board	**Audit**	**Nominating and Governance**	**Human Resources and Compensation***	**Finance**	**Public Affairs**
Strategy	Financial statements	Governance programs	Compensation policies and practices for all employees (including executives)	Financial risk management (including foreign exchange, commodities and interest rate exposure)	Social accountability
Operations	Financial reporting process	Board organization, membership and structure	Succession planning	Capital structure	Public policy
Food safety (including supply chain and food defense)	Accounting matters	Related person transactions	Human resources policies and practices	Financial strategies and transactions	Kraft Foods public image and reputation
Competition (including private label and customer concentration)	Legal, compliance and regulatory matters				
	Operations				

* For a discussion about risk oversight relating to our compensation programs, see Human Resources and Compensation Committee Matters Analysis of Risk in the Compensation Architecture below.

The Board frequently discusses our strategic plans, issues and opportunities in light of circumstances in the food and beverage industry and the economic environment. Additionally, the Board devotes several days each year to a highly focused review of our strategic plans, which includes discussion of strategic and operational risks.

The Board believes our current leadership structure enhances its oversight of risk management because our Chief Executive Officer, who is ultimately responsible for our risk management process, is in the best position to discuss with the Board these key risks and management s response to them by also serving as Chairman.

Director Independence

The Guidelines require that at least 75% of the directors on our Board meet the NYSE 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, 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. These categorical standards are listed in the Guidelines, which are available on our Web site at *www.kraftfoodscompany.com/investor/corporate-governance*.

The Board determined that, under our categorical standards and the NYSE listing standards, the following director nominees are independent: Ajaypal S. Banga, Myra M. Hart, Peter B. Henry, Lois D. Juliber, Mark D. Ketchum, Richard A. Lerner, M.D., Mackey J. McDonald, John C. Pope, Fredric G. Reynolds and Jean-François M.L. van Boxmeer. Additionally, Deborah C. Wright and Frank G. Zarb, who are not standing for re-election as directors, are independent. Irene B. Rosenfeld is not independent because she is an executive officer of Kraft Foods.

Certain Relationships and Transactions with Related Persons

The Board has adopted a written policy regarding the review, approval and ratification of transactions with related persons. In accordance with this policy, the Nominating and Governance Committee reviews Kraft Foods transactions in which the amount involved exceeds $120,000 and in which any related person had, has or will have a direct or indirect material interest. In general, related persons are our directors and executive officers, shareholders beneficially owning more than 5% of our outstanding common stock and their immediate family members. The Nominating and Governance Committee approves or ratifies only those transactions that are fair and reasonable to Kraft Foods and in our and our shareholders best interests. The chair of the Nominating and Governance Committee reviews and approves or ratifies transactions when it is not practicable or desirable to delay review of a transaction until a committee meeting. The chair reports to the committee any transaction so approved or ratified. The Nominating and Governance Committee, in the course of its review and approval or ratification of a related person transaction under this policy, considers, among other things:

- the commercial reasonableness of the transaction;
- the materiality of the related person s direct or indirect interest in the transaction;
- whether the transaction may involve an actual, or the appearance of a, conflict of interest;
- the impact of the transaction on the related person s independence (as defined in the Guidelines and the NYSE listing standards); and
- whether the transaction would violate any provision of our Ethics Code or Code of Conduct.

Any member of the Nominating and Governance Committee who is a related person with respect to a transaction under review may not participate in the deliberations or decisions regarding the transaction.

Pursuant to our policy, the Nominating and Governance Committee determined that no reported transaction qualified as a related person transaction during 2010 except for transactions with McLane Company, Inc. (McLane), a grocery supplier and wholly owned subsidiary of Berkshire Hathaway Inc., and BlackRock Institutional Management Corporation (BIMC), a subsidiary of BlackRock, Inc. Berkshire Hathaway and BlackRock are beneficial owners of more than 5% of our common stock.

In 2010, McLane purchased food products from us in an amount totaling approximately $518 million. Our relationship with McLane predates Berkshire Hathaway s disclosure of its acquisition of more than 5% of our common stock in 2008 and Berkshire Hathaway s acquisition of McLane in 2003. During

2010, our transactions with McLane occurred in the ordinary course of business and on terms substantially similar to our transactions with comparable third parties. Berkshire Hathaway s only interest in the transactions was as the owner of McLane. The Nominating and Governance Committee ratified the transactions with McLane after reviewing and discussing materials related to these transactions.

In 2010, we invested approximately $60 million in BlackRock Liquidity Fund s TempFund, a money market fund managed by BIMC. Our investment in TempFund was on terms substantially similar to our investments in money market funds of other investment firms and consistent with our normal cash management strategies. BlackRock s only interest in the transaction was as the owner of BIMC. The Nominating and Governance Committee ratified the investment in TempFund after reviewing and discussing materials related to the investment. As of March 1, 2011, we no longer had investments in TempFund.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 (the Exchange Act) requires our executive officers, directors and persons who beneficially own more than 10% of our common stock to report to the SEC their ownership of our common stock and changes in that ownership. As a practical matter, our Office of the Corporate Secretary assists our directors and executive officers by monitoring their transactions and completing and filing Section 16(a) reports on their behalf.

We reviewed copies of reports filed pursuant to Section 16(a) of the Exchange Act and written representations from reporting persons that all reportable transactions were reported. Based solely on that review, we believe that during the fiscal year ended December 31, 2010, all required filings were timely made in accordance with Exchange Act requirements.

Meeting Attendance

We expect directors to attend all Board meetings, the Annual Meeting and all meetings of the committees on which they serve. We understand, however, that occasionally a director may be unable to attend a meeting. The Board held ten meetings in 2010. All incumbent directors who served as directors in 2010 attended more than 85% of the aggregate number of meetings of the Board and all committees on which they served. Additionally, all incumbent directors attended the 2010 Annual Meeting of Shareholders.

Communications with the Board

Information for shareholders and other parties interested in communicating with the Lead Director, the Board or our independent directors, individually or as a group, is available on our Web site at *www.kraftfoodscompany.com/investor/corporate-governance/contact_bod*. Our 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. Our 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.

Committees and Membership

Our Board designates the committee members and chairs based on the Nominating and Governance Committee s recommendations. In 2010, the Board had five standing committees: Audit, Finance, Human Resources and Compensation, Nominating and Governance and Public Affairs. The Board has adopted a written charter for each committee. The charters define each committee s roles and responsibilities. All committee charters are available on our Web site at *www.kraftfoodscompany.com/investor/corporate-governance.*

During 2010, committee membership was:

Committee Membership through May 18, 2010

Name	Audit	Finance	Human Resources and Compensation	Nominating and Governance	Public Affairs
Ajaypal S. Banga			Chair	X	
Myra M. Hart	X			Chair	
Lois D. Juliber			X		X
Mark D. Ketchum			X	X	
Richard A. Lerner, M.D.				X	X
Mackey J. McDonald	X				
John C. Pope	Chair	X			
Fredric G. Reynolds	X	X			
Jean-François M.L. van Boxmeer					X
Deborah C. Wright			X		Chair
Frank G. Zarb		Chair			X

Current committee membership is:

Current Committee Membership*

Name	Audit	Finance	Human Resources and Compensation	Nominating and Governance	Public Affairs
Ajaypal S. Banga		X	Chair		
Myra M. Hart	X			Chair	
Lois D. Juliber			X	X	
Mark D. Ketchum			X	X	
Richard A. Lerner, M.D.				X	X
Mackey J. McDonald	X				X
John C. Pope		Chair	X		
Fredric G. Reynolds	Chair	X			
Jean-François M.L. van Boxmeer			X		X
Deborah C. Wright	X				Chair
Frank G. Zarb		X			X
Number of Total Meetings in 2010	11	8	6	6	4

* The Board periodically reviews committee membership and rotates membership during the year. Accordingly, the membership described in the table may change during 2011.

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 listing standards and Rule 10A-3 of the Exchange Act. The Board also determined that all Audit Committee members are financially literate within the meaning of the NYSE listing standards and that Fredric G. Reynolds is an audit committee financial expert within the meaning of SEC regulations. No Audit Committee member received any payments in 2010 from us other than compensation for service as a director.

Under its charter, which the Board amended in January 2011, the Audit Committee is responsible for overseeing our accounting and financial reporting processes and audits of our financial statements. The Audit Committee is directly responsible for the appointment and oversight of our independent auditors, including review of their qualifications, independence and performance.

Among other duties, the Audit Committee also oversees:

- the integrity of our financial statements, our accounting and financial reporting processes, our systems of internal control over financial reporting and safeguarding our assets;
- our compliance with legal and regulatory requirements;
- the performance of our internal auditors and internal audit functions; and
- our guidelines and policies with respect to risk assessment and risk management.

The Audit Committee has established procedures for the receipt, retention and treatment, on a confidential basis, of any complaints we receive. We encourage employees and third-party individuals and organizations to report concerns about our accounting controls, auditing matters or anything else that appears to involve financial or other wrongdoing. To report such matters, please e-mail us at *Kraft-FinancialIntegrity@kraft.com*.

Audit Committee Report for the Year Ended December 31, 2010

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. Our role as the Audit Committee of the Kraft Foods Board of Directors is to oversee Kraft Foods accounting and financial reporting processes and audits of its financial statements. In addition, we assist the Board in its oversight of:

- The integrity of Kraft Foods financial statements and Kraft Foods accounting and financial reporting processes and systems of internal control over financial reporting and safeguarding company assets;
- Kraft Foods compliance with legal and regulatory requirements;
- Kraft Foods independent auditors qualifications, independence and performance;
- The performance of Kraft Foods internal auditor and the internal audit function; and

Kraft Foods guidelines and policies with respect to risk assessment and risk management.

Our committee operates under a written charter that the Board last amended and restated on January 19, 2011. You may view the charter in the Corporate Governance section of the Investor Center tab on Kraft Foods Web site: *www.kraftfoodscompany.com*.

Our duties include overseeing Kraft Foods management, the internal auditors and the independent auditors in their performance of the following functions, for which they are responsible:

Management

- Preparing Kraft Foods consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP);
- Assessing and establishing effective financial reporting systems and internal controls and procedures; and
- Reporting on the effectiveness of Kraft Foods internal control over financial reporting.

Internal Audit Department

- Independently assessing management s system of internal controls and procedures; and
- Reporting on the effectiveness of that system.

Independent Auditors

- Auditing Kraft Foods financial statements;
- Issuing an opinion about whether the financial statements conform with U.S. GAAP; and
- Annually auditing the effectiveness of Kraft Foods internal control over financial reporting.

Periodically, we meet, both independently and collectively, with management, the internal auditors and the independent auditors, among other things, to:

- Discuss the quality of Kraft Foods accounting and financial reporting processes and the adequacy and effectiveness of its internal controls and procedures;
- Review significant audit findings prepared by each of the independent auditors and internal auditors, together with management s responses; and
- Review the overall scope and plans for the 2011 audits by the internal auditors and the independent auditors.

Prior to Kraft Foods filing of its Annual Report on Form 10-K for the year ended December 31, 2010, with the SEC, we also:

- Reviewed and discussed the audited financial statements with management and the independent auditors;

Discussed with the independent auditors their evaluation of the accounting principles, practices and judgments applied by management;

Discussed any other items the independent auditors are required to communicate to the Audit Committee in accordance with applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors communications with the Audit Committee concerning independence;

Received from the independent auditors the written disclosures and the letter describing any relationships with Kraft Foods that may bear on the auditors independence; and

Discussed with the independent auditors their independence from Kraft Foods, including reviewing non-audit services and fees to assure compliance with regulations prohibiting the independent auditors from performing specified services that could impair their independence, and with Kraft Foods and the Audit Committee s policies.

Based upon the reports and discussions described in this report and without other independent verification, and subject to the limitations of our role and responsibilities outlined in this report and in our written charter, we 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, 2010, which was filed with the SEC on February 28, 2011.

Audit Committee:

Fredric G. Reynolds, Chair

Myra M. Hart

Mackey J. McDonald

Deborah C. Wright

The information contained in the above report will not be deemed to be soliciting material or filed with the SEC, nor will this information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that Kraft Foods specifically incorporates it by reference in such filing.

Pre-Approval Policies

Our Audit Committee s policy, which it reviews annually, is to pre-approve all audit and non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other permissible non-audit services. The pre-approval authority details the particular service or category of service that the independent auditors will perform and is subject to a specific engagement authorization by management within the pre-approved category spending limits. The committee s policy also requires management to report at committee meetings throughout the year on the actual fees charged by the independent auditors for each category of service.

During the year, circumstances may arise when it may become necessary to engage the independent auditors for additional services not contemplated in the original pre-approval. In those instances, the committee approves the services before we engage the independent auditors. If pre-approval is needed before a scheduled committee meeting, the committee delegated pre-approval authority to its chair. The chair must report on such pre-approval decisions at the committee s next regular meeting.

During 2010, the Audit Committee pre-approved all audit and non-audit services provided by the independent auditors.

Independent Auditors Fees

Aggregate fees for professional services rendered by our independent auditors, PricewaterhouseCoopers LLP, for 2009 and 2010 were:

	2010	**2009**
Audit Fees	$ 25,029,000	$ 17,262,000
Audit-Related Fees	531,000	1,961,000
Tax Fees	14,781,000	1,637,000
All Other Fees	89,000	22,000
Total	$ 40,430,000	$ 20,882,000

Audit Fees include (a) the integrated audit of our consolidated financial statements, including statutory audits of the financial statements of our affiliates, and our internal control over financial reporting and (b) the reviews of our unaudited condensed consolidated interim financial statements (quarterly financial statements). The 2010 increase in audit fees is related to the Cadbury acquisition.

Audit-Related Fees include professional services in connection with employee benefit plan audits, due diligence related to acquisitions and divestitures and procedures related to various other audit and special reports.

Tax Fees include professional services in connection with tax compliance and advice. The 2010 tax fees also include tax advice and professional services related to the Cadbury integration.

All Other Fees include professional services in connection with benchmarking studies and seminars.

All fees above include out-of-pocket expenses.

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 listing standards. The Nominating and Governance Committee s responsibilities include, among others:

- identifying qualified individuals for Board membership consistent with criteria approved by the Board;
- considering the performance and suitability of incumbent directors in determining whether to nominate them for re-election;
- making recommendations to the Board as to directors independence;
- recommending to the Board the appropriate size, function, needs and composition of the Board and its committees;
- recommending to the Board the membership of each committee;
- monitoring directors compliance 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 corporate governance principles.

The Nominating and Governance Committee will consider any candidate a shareholder properly presents for election to the Board in accordance with the procedures set forth in the By-Laws. The Nominating and Governance Committee uses the same criteria set forth in the Guidelines to evaluate a candidate suggested by a shareholder as the committee uses to evaluate a candidate it identifies, as described above under Item 1. Election of Directors Process for Nominating Directors, and makes a recommendation to the Board regarding the candidate s appointment or nomination for election to the Board. After the Board s consideration of the candidate suggested by a shareholder, our Corporate Secretary will notify that shareholder whether the Board decided to appoint or nominate the candidate.

For a description of how shareholders may nominate a candidate for election to the Board at an annual meeting of shareholders and have that nomination included in the proxy statement for that meeting, see 2012 Annual Meeting of Shareholders in this Proxy Statement.

FINANCE COMMITTEE MATTERS

The Finance Committee is responsible for considering and making recommendations to the Board on the management of our financial resources and major financial strategies and transactions as set forth in its charter, which the Board amended in January 2011. 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;
- issuances, sales or repurchases of equity and debt securities;
- our external dividend policy and dividend recommendations;
- proposed major investments, acquisitions, divestitures, joint ventures, significant asset sales and purchase commitments;
- financial risk management activities, such as foreign exchange, commodities and interest rate exposure;
- director and officer insurance program; and
- Board and management authorization levels with respect to financing matters.

PUBLIC AFFAIRS COMMITTEE MATTERS

The committee is responsible for discharging the Board s responsibilities relating to public policy issues. In carrying out its duties, the Public Affairs Committee, among other things:

- monitors public policy and social trends affecting us, including those related to food safety and security, nutrition, biotechnology, environmental responsibility and food labeling, marketing and packaging;
- monitors issues and practices relating to our social accountability;
- examines periodically 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 communications, media relations and community relations;
- reviews the impact of business operations and business practices on communities where we do business;
- monitors and evaluates our corporate citizenship programs and activities, including charitable contributions; and

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

HUMAN RESOURCES AND COMPENSATION COMMITTEE MATTERS

Compensation Committee Interlocks and Insider Participation

The Human Resources and Compensation Committee consists entirely of independent directors who the Board determined to be independent within the meaning of the NYSE listing standards. None of the Human Resources and Compensation Committee s members:

- is or was an officer or employee of Kraft Foods;
- is or was a participant in a related person transaction in 2010 (for a description of our policy on related person transactions, see Corporate Governance Certain Relationships and Transactions with Related Persons in this Proxy Statement); or
- is an executive officer of another entity at which one of our executive officers serves on the board of directors.

Responsibilities

The Human Resources and Compensation Committee s responsibilities are set forth in its charter, which the Board amended in January 2011. The Human Resources and Compensation Committee s responsibilities include, among other duties:

- assessing the appropriateness and competitiveness of our executive compensation programs;
- reviewing and approving the Chief Executive Officer s goals and objectives, evaluating her performance in light of these goals and objectives and, based upon its evaluation, determining both the elements and amounts of the Chief Executive Officer s compensation;
- reviewing and approving the compensation of the Chief Executive Officer s direct reports and other officers subject to Section 16(a) of the Exchange Act;
- determining annual incentive compensation, equity awards and other long-term incentive awards granted under our equity and long-term incentive plans to eligible participants;
- reviewing our compensation policies and practices for employees, including non-executive and executive officers, as they relate to our risk management practices and risk-taking incentives;
- overseeing the management development and succession planning process (including succession planning for emergencies) for the Chief Executive Officer and her direct reports and, as appropriate, evaluating potential candidates;
- monitoring our policies, objectives and programs related to diversity and reviewing periodically our diversity performance in light of appropriate measures;

assessing the appropriateness of, and advising the Board regarding, the compensation of non-employee directors for service on the Board and its committees; and

reviewing and discussing with management the Compensation Discussion and Analysis and preparing and approving the committee s report to shareholders included in our annual proxy statement.

Processes and Procedures

The Compensation Discussion and Analysis, included in this Proxy Statement, addresses the Human Resources and Compensation Committee s primary processes for establishing and overseeing executive compensation. Additional processes and procedures include:

Meetings. The Human Resources and Compensation Committee meets several times each year, including six meetings in 2010, to address our compensation programs, benefit plans and policies.

Role of Independent Compensation Consultant. In 2010, the Human Resources and Compensation Committee retained Compensation Advisory Partners, LLC as its compensation consultant to assist the committee in evaluating executive compensation programs and to advise the committee regarding the amount and form of executive and director compensation. The use of a consultant provides additional assurance that our executive compensation programs are reasonable, competitive and consistent with our objectives. The consultant is engaged directly by the Human Resources and Compensation Committee, regularly participates in committee meetings, including executive sessions of the committee, and advises the committee with respect to compensation trends and best practices, plan design and the reasonableness of compensation awards. In addition, with respect to the Chief Executive Officer, the consultant prepares specific compensation analyses for the Human Resources and Compensation Committee s consideration. The Chief Executive Officer does not participate in the development of these analyses and has no knowledge of the information in these analyses. The consultant plays a similar role in analyzing the amount and form of director compensation, as discussed below.

Role of Executive Officers and Management. Each year, the Chief Executive Officer presents her compensation recommendations for each of the other named executive officers, her remaining direct reports and other executive officers (as described under Compensation Discussion and Analysis). The Human Resources and Compensation Committee reviews and discusses these recommendations with the Chief Executive Officer and has full discretion over all recommended compensation actions. Executive officers do not play a role in determining or recommending the amount or form of director compensation.

Independence of Compensation Consultant to the Human Resources and Compensation Committee

Compensation Advisory Partners has served as the Human Resources and Compensation Committee s independent compensation consultant since September 2009. During 2010, Compensation Advisory Partners provided the Human Resources and Compensation Committee advice and services, including:

- participating in committee meetings;
- providing competitive market compensation data for executive positions;
- conducting periodic reviews of elements of compensation;
- analyzing best practices and advice about designing our annual and long-term incentive plans, including selecting metrics;
- advising on the composition of our peer groups for benchmarking pay and performance; and
- updating the committee on executive compensation trends, issues and regulatory developments.

The Human Resources and Compensation Committee believes that its consultant should be able to advise the committee independent of management s influence. Therefore, the Human Resources and Compensation Committee has taken numerous steps to satisfy this objective. The Human Resources and Compensation Committee retained Compensation Advisory Partners independent of management.

At least annually, the Human Resources and Compensation Committee reviews the types of advice and services provided by Compensation Advisory Partners and the fees charged for those services. The consultant reports directly to the Human Resources and Compensation Committee on all executive and director compensation matters; regularly meets separately with the committee outside the presence of management; and speaks separately with the committee chair and other committee members between meetings, as necessary or desired. Interactions between Compensation Advisory Partners and management are limited to those which the consultant needs to provide the Human Resources and Compensation Committee with relevant information and appropriate recommendations.

As discussed above, in September 2009, after an extensive selection and interview process, the Human Resources and Compensation Committee retained Compensation Advisory Partners as its compensation consultant. The committee believed that it was in the best interests of the committee and Kraft Foods to engage a compensation consulting firm that provides no other services to Kraft Foods. For the year ended December 31, 2010, Compensation Advisory Partners provided no services to Kraft Foods other than executive and director compensation consulting services to the Human Resources and Compensation Committee.

Analysis of Risk in the Compensation Architecture

In 2010, the Human Resources and Compensation Committee evaluated the current risk profile of our executive and broad-based compensation programs. In its evaluation, the Human Resources and Compensation Committee reviewed our executive compensation structure to determine whether our compensation policies and practices encourage our executive officers or employees to take unnecessary or excessive risks and whether these policies and practices properly mitigate risk. As described below under Compensation Discussion and Analysis, our compensation structure is designed to incentivize executives and employees to achieve company financial and strategic goals as well as individual performance goals that promote long-term shareholder returns. The compensation architecture balances this design with multiple elements intended to discourage excessive risk-taking by executives and employees to obtain short-term benefits that may be harmful to Kraft Foods and our shareholders in the long term. The Human Resources and Compensation Committee identified numerous safeguards that effectively manage or mitigate risk, including:

- *Corporate and Business Unit Weighting*. The balance of corporate and business unit weighting in incentive plans encourages participants to focus on overall corporate performance as well as business unit performance in order to prevent actions that may improve business unit performance and maximize awards but harm our overall health.

- *Short-Term/Long-Term Incentive Mix*. The balanced mix between short-term and long-term incentives discourages executives and employees from maximizing short-term performance at the expense of long-term performance. Our executive compensation is heavily weighted toward long-term incentive compensation to encourage sustainable shareholder value and ensure accountability for long-term results.

- *Fixed/Variable Mix*. A significant portion of our executive compensation is variable to ensure a sufficient portion of compensation is at risk. High levels of variable compensation appropriately link total compensation levels with the achievement of relevant financial, strategic and other performance goals.

- *Award Caps*. Our compensation plans provide for a limit on annual incentive awards to discourage short-term actions that may harm our long-term interests.

- *Multiple Performance Measures*. Our incentive plans use multiple performance measures to discourage participants from focusing on achievement of one performance measure at the expense of another.

- *Committee Discretion*. The Human Resources and Compensation Committee has discretion to reduce incentive awards based on unforeseen or unintended consequences.

Long-Term Incentive Mix. We use a portfolio of long-term incentives, which are all stock-based, to motivate executives to achieve long-term financial goals and top-tier performance results. Multi-year vesting features and multi-year performance cycles of long-term incentive compensation promote shareholder value creation and long-term growth as well as encourage retention.

Stock Ownership Guidelines and Holding Requirements. We use meaningful stock ownership guidelines that are higher than those of our peer companies and stock holding requirements to align our executives interests with our shareholders interests and ultimately focus our executives on attaining long-term shareholder returns.

Clawback and Anti-Hedging Policies. Our clawback policy allows Kraft Foods to recapture any incentive compensation paid in the event of a restatement of our financial statements, which discourages inappropriate risk-taking behavior. Our anti-hedging policies further align our executives and employees interests with those of our shareholders.

Ethics and Compliance Programs. The Audit Committee oversees our ethics and compliance programs that educate executives and employees on appropriate behavior and the consequences of inappropriate actions. These programs use innovative and effective approaches to ensure compliance and integrity and encourage employees and others to report concerns by providing multiple reporting avenues with a no retaliation policy.

Governance Practices. We have implemented good pay and governance practices that are critical to driving sustained shareholder value, including targeting pay at the median of our peer group, benchmarking compensation, using quantitative and qualitative results to determine incentive awards, engaging an independent compensation consultant, communicating with our shareholders to understand their views and concerns and performing annual risk assessments.

The Human Resources and Compensation Committee also analyzed our overall enterprise risks and whether our compensation programs could impact individual behavior so as to exacerbate these enterprise risks. The Human Resources and Compensation Committee collaborated with the Audit Committee in this analysis.

In addition to the Human Resources and Compensation Committee s evaluation, the committee s compensation consultant also reviewed our executive and broad-based incentive plans and noted similar terms in our incentive plans that mitigate risk.

In light of these analyses, the Human Resources and Compensation Committee believes that our compensation programs do not create risks that are reasonably likely to have a material adverse effect on Kraft Foods.

Compensation of Non-Employee Directors

Directors who are full-time Kraft Foods employees receive no compensation for their services as directors.

We strive to provide competitive compensation to attract and retain highly qualified non-employee directors who will best represent our shareholders interests. With its compensation consultant s assistance, the Human Resources and Compensation Committee periodically benchmarks non-employee director compensation against a compensation peer group and general industry data, considers the appropriateness of the form and amount of non-employee director compensation and makes recommendations to the Board concerning such compensation. In 2010, after reviewing current non-employee director compensation and considering market data and practices, the Human Resources and Compensation Committee recommended, and the Board approved, the following changes to the form and amount of non-employee director compensation:

increase annual Board cash retainer from $70,000 to $110,000;

eliminate committee meeting fees of $2,000 per meeting; and change form of annual stock award from restricted stock with a one-year restriction period to deferred shares that are immediately vested, but receipt of the shares is deferred until six months after the non-employee director no longer serves on the Board. Dividends on deferred stock are reinvested in deferred shares until the distribution date.

The Human Resources and Compensation Committee and the Board believe that these changes help simplify our overall non-employee director compensation program and better align the program to market practice while at the same time help us attract and retain highly qualified non-employee directors and further align their interests with those of our shareholders. The program changes did not significantly change total non-employee director compensation. The changes relating to the cash fees were effective July 1, 2010 while the change in form of stock award was effective for the 2010 annual stock award. The table below summarizes the cash and equity compensation elements in place during 2010 for our non-employee directors.

Compensation Elements	**Program Before July 1, 2010**	**Program Changes Effective July 1, 2010**
Annual Board Retainer(1)	$70,000	$110,000
Annual Committee Chair Retainer	$10,000	$10,000
Annual Lead Director Retainer	$30,000	$30,000
Board Meeting Fees	$0	$0
Committee Meeting Fees	$2,000 per meeting	$0
Annual Stock Grant Value	$125,000	$125,000

(1) The annual Board retainer was prorated for 2010 as a result of the program changes.

We pay the non-employee directors their cash retainers quarterly. Non-employee directors can defer 25%, 50%, 75% or 100% of their cash retainers into accounts that mirror the funds in the Kraft Foods Inc. Thrift 401(k) Plan pursuant to the Kraft Foods Inc. 2001 Compensation Plan for Non-Employee Directors. Non-employee directors also receive an annual stock award that is granted at the Board meeting immediately following our annual meeting of shareholders.

To further align our non-employee directors and shareholders interests, our Guidelines require that they hold shares of our common stock in an amount equal to five times the annual Board retainer within five years of becoming a director. If a non-employee director does not meet the stock ownership requirement within the timeline, the Lead Director will consider the director s particular situation, including any potential financial hardship, and may take any further action as he deems appropriate. As discussed above, in 2010, the Board increased the annual Board retainer to $110,000, and thereby increased the stock ownership requirement from $350,000 to $550,000 within five years. As of March 1, 2011, all individuals who have served as our directors for five or more years satisfy the stock ownership requirement.

In addition to cash payments and stock awards, non-employee directors may also participate in the Kraft Foods Foundation Matching Gift Program immediately upon becoming a member of the Board. Non-employee directors participate in the program on the same terms as our employees. Under the program, the Kraft Foods Foundation matches up to $15,000 per director per year in contributions to 501(c)(3) non-profit organizations. In 2010, the following directors participated in this program: Ajaypal S. 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.

2010 Non-Employee Director Compensation Table

Name	Fees Earned or Paid in Cash[(1)] ($)	Stock Awards[(2)] ($)	All Other Compensation[(3)] ($)	Total ($)
Banga, Ajaypal	116,000	125,011	15,000	256,011
Hart, Myra	118,000	125,011	30,000[(4)]	273,011
Juliber, Lois	100,000	125,011	17,500[(4)]	242,511
Ketchum, Mark	130,000	125,011	15,000	270,011
Lerner, Richard	100,000	125,011	15,000	240,011
McDonald, Mackey	106,000	125,011		231,011
Pope, John	120,000	125,011	12,000	257,011
Reynolds, Fredric	118,667	125,011	15,000	258,678
van Boxmeer, Jean-François	94,000	125,011		219,011
Wright, Deborah	114,000	125,011	12,000	251,011
Zarb, Frank	104,167	125,011	15,000	244,178

(1) Includes all meeting and retainer fees paid or deferred pursuant to the Kraft Foods Inc. 2001 Compensation Plan for Non-Employee Directors. As discussed above, effective July 1, 2010, non-employee directors do not receive meeting fees.

(2) The amounts shown in this column represent the full grant date fair value of the deferred stock awards granted in 2010 as computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718. The deferred shares are immediately vested, but receipt of the shares is deferred until six months after the director no longer serves on the Board. The 2010 Non-Employee Director Stock Awards Table below provides further detail on the non-employee director grants made in 2010 and the number of stock awards and stock options outstanding as of December 31, 2010.

(3) Represents Kraft Foods Foundation contributions made as part of the Kraft Foods Foundation Matching Gift Program.

(4) Includes an additional amount of Kraft Foods Foundation contributions made under the Kraft Foods Foundation Matching Gift Program above the general $15,000 limit. In October 2010, we offered a two-for-one match promotion under which the Kraft Foods Foundation contributed amounts over the general annual limit to non-profit organizations on the director s behalf. This promotion was available to all our U.S. employees and directors on the same terms.

2010 Non-Employee Director Stock Awards Table

	Stock Awards	
Name	**Number of Shares of Stock or Units Granted ($)**	**Grant Date Fair Value of Stock or Units Granted[1] ($)**
Banga, Ajaypal	4,121	125,011
Hart, Myra	4,121	125,011
Juliber, Lois	4,121	125,011
Ketchum, Mark	4,121	125,011
Lerner, Richard	4,121	125,011
McDonald, Mackey	4,121	125,011
Pope, John	4,121	125,011
Reynolds, Fredric	4,121	125,011
van Boxmeer, Jean-François	4,121	125,011
Wright, Deborah	4,121	125,011
Zarb, Frank	4,121	125,011

(1) The amounts shown in this column represent the full grant date fair value of the deferred stock awards granted in 2010 as computed in accordance with FASB ASC Topic 718.

As of December 31, 2010, the directors had the same number of deferred stock awards outstanding as shown in the table above. In addition, as of December 31, 2010, Mr. Pope and Ms. Wright each held options to purchase 3,995 shares of our common stock.

Human Resources and Compensation Committee Report for the Year Ended December 31, 2010

The Human Resources and Compensation Committee oversees our compensation programs on behalf of the Board. In fulfilling its oversight responsibilities, the Human Resources and Compensation Committee reviewed and discussed with management the Compensation Discussion and Analysis included in this Proxy Statement. In reliance on that review and discussion, the Human Resources and Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in our Proxy Statement to be filed with the SEC in connection with our Annual Meeting and incorporated by reference in our Annual Report on Form 10-K for the year ended December 31, 2010, which was filed with the SEC on February 28, 2011.

Human Resources and Compensation Committee:

Ajaypal S. Banga, Chair

Lois D. Juliber

Mark D. Ketchum

John C. Pope

Jean-François M.L. van Boxmeer

Deborah C. Wright*

* Ms. Wright served as a member of the committee through May 18, 2010 and participated in part of the compensation actions described under Compensation Discussion and Analysis included in this Proxy Statement.

COMPENSATION DISCUSSION AND ANALYSIS

In our Compensation Discussion and Analysis, we:

- describe our goals for compensating our executive officers;
- describe how we designed our compensation program and explain how executive compensation decisions reflect both Kraft Foods business performance and the individual performance goals for each of our named executive officers; and
- explain the tables and other disclosures that follow.

Our named executive officers are those individuals who served as Kraft Foods Chief Executive Officer (CEO) and Chief Financial Officer during 2010, as well as those other individuals included in the 2010 Summary Compensation Table under Executive Compensation Tables below.

Executive Summary of 2010 Compensation Actions

This section highlights key actions taken by the Human Resources and Compensation Committee (referred to in this Compensation Discussion and Analysis as the Committee) to further align the interests of our named executive officers with those of our shareholders and improve our pay for performance position. This section is also intended to provide a better understanding of the Committee s pay decisions relative to company performance in 2010 and our most recently completed three-year (2008 2010) performance cycle.

Changes to our Compensation Programs. In 2010, we made several adjustments to our executive compensation programs to improve our pay for performance alignment as well as to incent delivery of critical business outcomes. These changes are as follows:

- Annual Incentive Design We changed the weighting of our Annual Incentive Plan metrics as follows:

Metric	2009 Weighting	2010 Weighting
Revenue Growth	33.3%	45%
Operating Income	33.3%	35%
Free Cash Flow	33.3%	20%

- Long-Term Incentive Design For 2010, we increased the emphasis of performance shares in our long-term incentive compensation program. The new mix is as follows:

Beginning with the 2010 2012 Performance Shares/Long-Term Incentive Plan (LTIP) cycle, as shown in the table below, we increased the weighting on Relative Total Shareholder Return compared to our Performance Peer Group from 30% to 50%.

Metric	**2009 2011 Performance Cycle Weighting**	**2010 2012 Performance Cycle Weighting**
Relative Total Shareholder Return	30%	50%
Organic Revenue Growth	30%	25%
Operating EPS	20%	25%
Free Cash Flow	20%	Not used as a performance measure

Stock Holding Requirements In December 2010, we added a minimum stock holding requirement for named executive officers. Starting in 2011, our named executive officers are required to hold 100% of all net-tax shares from stock option exercises and the vesting of restricted stock and LTIP performance shares until the later of:

meeting their stock ownership guidelines, or

at least one year after a stock option exercise or a restricted stock or LTIP performance share vesting.

Along with adding a minimum holding requirement, we adjusted our stock ownership guidelines for our CEO to eight times base salary and the other named executive officers to four times base salary. These stock ownership guidelines are higher than those of our peer companies.

2010 Performance and Impact to Annual Incentive Payouts. In early 2010, the Committee reviewed performance with respect to the 2010 Annual Incentive Plan objectives. Overall, we were below our Combined Organic Revenue Growth and Adjusted Operating Income targets, but delivered strong financial results relative to peers. Our 2010 performance that drove Annual Incentive Plan payouts for our named executive officers is as follows:

Combined Organic Revenue Growth 3.5%

Adjusted Operating Income $6.5 billion

Adjusted Free Cash Flow $3.3 billion

Based on these results relative to target, our overall Annual Incentive Plan rating for 2010 is 94% of target. While Organic Revenue Growth targets were not achieved, we exceeded the median growth rates of our food and beverage peer companies in 2010. Adjusted Operating Income was slightly below target due mostly to our below target top line results. Adjusted Free Cash Flow results were extremely strong due to solid operating results and working capital efficiencies. Our results were mixed by geographical segment. Our North America segment had operating performance below expectations while our Developing Markets and Europe segments delivered strong results. See Elements of Executive Compensation Annual Cash Incentives 2010 Business Unit Ratings for more information about our results relative to targets.

2008 2010 Performance and Impact to LTIP Payouts. Overall, we delivered above target results during the three-year performance cycle from 2008 to 2010. Strong Ongoing Earnings Per Share (EPS) growth, Cash Flow generation and higher Total Shareholder Return were partially offset by Organic Revenue Growth that was below expectations. Our 2008 2010 performance that drove LTIP payouts for our eligible named executive officers is as follows:

Organic Revenue Growth	3.9%

Ongoing EPS Growth	9.2%

Cumulative Adjusted Free Cash Flow $10.2 billion

Annualized Relative Total Shareholder Return Above median

Based on these results relative to target, our overall LTIP rating for the 2008 2010 performance cycle is 128% of target.

Our Compensation Program Design

Our executive compensation program s four primary goals are to:

- attract, retain and motivate talented executive officers and develop world-class business leaders;
- support business strategies that promote superior long-term shareholder returns;
- align pay and performance by making a significant portion of our named executive officers and other executive officers compensation dependent on achieving financial and other critical strategic and individual goals; and
- align our executive officers and shareholders interests through stock ownership guidelines, equity-based incentive awards and other long-term incentive awards that link executive compensation to sustained and superior total shareholder return.

Our executive compensation program is designed to achieve these goals by using the following principles:

- *Providing Competitive Pay.* We annually benchmark our target and actual compensation levels and pay-mix with a peer group of other consumer products companies with leading brand recognition or companies with which we otherwise compete for talent, referred to as the Compensation Survey Group. We use this comparison to ensure that our executive compensation and benefits package is competitive with the Compensation Survey Group. The Committee generally targets total executive compensation at or near the size-adjusted median total compensation of the group and allows business and individual performance to determine whether actual pay is above or below the median. The Committee uses a size-adjusted median due to our significantly higher revenue size compared to our peer group. In addition, the Committee compares Kraft Foods financial and total shareholder return performance against a separate peer group, referred to as the Performance Peer Group, which consists of food and non-alcoholic beverage companies. The Performance Peer Group comparison allows us to link long-term incentive compensation to the delivery of superior financial results relative to industry peers. More information about the Compensation Survey Group, the Performance Peer Group and the methodology for the size-adjusted median can be found below under Additional Information on Compensation Principles Providing Competitive Pay ;
- *Providing Fixed and Variable Compensation.* We provide a mix of fixed and variable compensation (heavily weighted to variable compensation for the named executive officers) designed to attract, retain and motivate top-performing executives, as well as appropriately align compensation levels with the achievement of relevant financial and strategic goals;
- *Providing Equity and Cash Incentives.* We provide a mix of equity and cash incentives to focus executive officers on achieving performance results that drive long-term sustainable superior total shareholder returns;
- *Assessing Individual Performance and Potential.* Incentive awards to individual participants are based in part on individual performance and the potential for advancement within the organization; and

Requiring Executive Stock Ownership and Minimum Holding Periods. Our executive officers are required to maintain or exceed specific levels of Kraft Foods stock ownership in order to further align their interests with those of our shareholders. Our compensation programs facilitate high levels of stock ownership. Our executive officers are also required to hold shares upon exercise of stock options and vesting of restricted stock and performance shares for a minimum period of time. More information about stock ownership guidelines for executive officers can be found below under Additional Information on Compensation Principles Requiring Stock Ownership.

Overall Pay Mix. The chart below shows the total compensation mix, on average, for our CEO and named executive officers (NEOs), based on target awards in 2010, compared with the average of the Compensation Survey Group. Our mix is well aligned to the mix provided by companies in the Compensation Survey Group. In the case of our CEO, the incentive mix is slightly more weighted towards long-term incentives and less weighted in annual incentives compared to the Compensation Survey Group to further support our focus on delivering top-tier sustainable performance over the long-term.

(1) For Kraft Foods, long-term incentives include restricted stock, non-qualified stock options and performance shares; for Compensation Survey Group peers, includes all types of long-term incentive awards.

Summary of 2010 Compensation Program

The following table summarizes the elements and program objectives of our 2010 compensation program for executive officers, including named executive officers.

Program	Description	Program Objective
Annual Cash Compensation		
Base Salary	Ongoing cash compensation based on the executive officer s role at Kraft Foods.	Retention and attraction Drive top-tier performance Individual contribution
Annual Cash Incentive Program	Annual incentive with target award amounts for each executive officer. Awards are payable in cash. Actual payouts may be higher or lower than target, based on business and individual performance.	Drive top-tier performance Across entire organization Within business units Individual contribution
Long-Term/Stock-Based Incentive Compensation		
Performance Shares or Long- Term Incentive Program (LTIP)	Long-term incentive with target award amounts established for each executive officer. Actual awards are linked to achievement of three-year Kraft Foods goals and can be 0% 200% of target, based on Kraft Foods performance. Payout will be in Kraft Foods common stock at the end of the three-year program. No dividends or dividend equivalents are paid or earned on unvested performance shares.	Drive top-tier performance Across entire organization Focus on long-term sustained success Retention Stock ownership/alignment to shareholders
Stock Options	Each executive officer has an award opportunity based on his or her role at Kraft Foods, long-term performance and potential for advancement.	Drive top-tier performance Long-term individual contribution Recognize advancement potential Stock ownership/alignment to shareholders Realized value linked to stock performance
Restricted Stock	Each executive officer has an award opportunity based on his or her role at Kraft Foods, long-term performance and potential for advancement.	Drive top-tier performance Long-term individual contribution Recognize advancement potential Retention Stock ownership/alignment to shareholders

Program	Description	Program Objective
Executive Benefits		
Voluntary Non-Qualified Deferred Compensation Plan	Program that allows U.S. executive officers to defer, on a pre-tax basis, certain defined compensation elements with flexible distribution options to meet future financial goals.	Retention and attraction Provide opportunity for future financial security Provide U.S. executive officers an additional opportunity to meet stock ownership requirements
Executive Perquisites	Market-consistent program that is generally limited to a car allowance, financial counseling, and, for the CEO only, personal use of Kraft Foods aircraft.	Retention and attraction Supports personal financial planning needs Security of CEO
Post-Termination Benefits		
Defined Benefit Program	Generally provides for the continuation of a portion of total annual cash compensation (defined as base salary plus annual incentive award) at the conclusion of an executive officer s career. Beginning January 1, 2009, this program is not offered to U.S. employees hired after this date.	Retention Attraction Provide financial security to long-term service executive officers in retirement
Defined Contribution Program (401(k))	Program under which Kraft Foods matches U.S. executive officers contributions. Account balances are typically payable at the conclusion of an executive officer s career. Effective January 1, 2009, this program was enhanced for U.S. employees hired after this date.	Retention Attraction Provide opportunity for financial security in retirement Provide U.S. executive officers an additional opportunity to meet stock ownership requirements
Change in Control Plan	Executive separation program that provides for enhanced benefits in the event of an executive officer s termination following a defined Kraft Foods change in control.	Retention Focus on delivering top-tier shareholder value in periods of uncertainty Supports effective transition
Other Benefits		
Other Benefits	Medical, welfare and other benefits.	Retention Attraction

Elements of Executive Compensation

A description of each of the compensation program elements follows, and individual compensation decisions are discussed under Compensation Paid to Named Executive Officers in 2010.

Base Salary

Base salary is the principal fixed element of executive compensation. Base salary levels for named executive officers are targeted to be at or near the size-adjusted median of the Compensation Survey Group. However, the Committee also considers a number of other factors when reviewing and setting base salaries for named executive officers, including: Kraft Foods performance and the named

executive officer s individual performance, level of responsibility, potential to assume roles with greater responsibility, tenure and experience. Salaries are reviewed on an annual basis, and merit increases are considered for all executive officers and are generally effective April 1.

Annual Cash Incentives

Overview

The Annual Incentive Plan is a cash bonus plan designed to motivate and reward participants, including the named executive officers, for their contribution to Kraft Foods, or a business unit of Kraft Foods, for achieving our annual financial and strategic goals. The range of amounts that an executive officer may earn is determined at the beginning of the year, and the amount actually paid is based on the financial results achieved during the year and the individual s contribution towards achieving those results. The three key financial metrics we use to measure business performance are Combined Organic Revenue Growth (45% weighting), Adjusted Operating Income (35% weighting) and Adjusted Free Cash Flow (20% weighting). We chose these three metrics because of their high correlation to total shareholder return. We will continue using these or similar metrics in our 2011 Annual Incentive Plan design. The Committee believes that these metrics continue to be important measures, are highly correlated to total shareholder return and maintain continuity with participants. These measures continue to reinforce the importance of driving both top-line and bottom-line performance while generating positive cash flow.

Award Formula

The formula shown below is used to determine actual awards for participants, including the named executive officers. Other than base salary, which is discussed above, each element of this formula is discussed below.

Base Salary as of December 31, 2010	**x**	**Target Annual Incentive Opportunity (% of Base Salary)**	**x**	**Business Unit Rating (0% 180%)**	**x**	**Individual Performance Assessment (0% 180%)**	**=**	**Actual Cash Award**

The business unit rating helps focus our named executive officers on achieving financial results, and the individual performance assessment encourages and rewards individual contributions in achieving those financial results. The maximum award under the Annual Incentive Plan is 250% of target.

Target Annual Incentive Opportunity

Each participant in the plan is assigned a target award. The target is a percentage of base salary reflecting his or her role and responsibilities. For participants, including the named executive officers, the Committee sets individual targets that position target annual incentive and target total cash compensation opportunities at approximately the size-adjusted median of the Compensation Survey Group. Generally, this assures that if business and individual goals are met at the target level, the participant would be paid an incentive at or near the size-adjusted median for his or her position relative to the Compensation Survey Group. The individual targets, as a percentage of base salary, for the named executive officers were, as of December 31, 2010, as follows:

Ms. Rosenfeld	**Mr. McLevish**	**Mr. Vernon**	**Mr. Khosla**	**Mr. Clarke**
150%	90%	90%	80%	80%

2010 Business Unit Ratings

At the beginning of 2010, the Committee approved targets for Combined Organic Net Revenue Growth, Adjusted Operating Income and Adjusted Free Cash Flow for the Kraft Foods Inc., Kraft Foods North America, Kraft Foods Europe and Kraft Foods Developing Markets organizational levels.

We developed a performance rating scale so that if the performance targets were achieved for each of the measures, the business unit rating would equal 100%. For achievement of performance above the targets, the business unit rating would be above 100%, and for performance below the targets, the

business unit rating would be below 100%. In addition, we included both threshold and maximum performance levels in the performance scales. The business unit rating for each of Messrs. Clarke, Khosla and Vernon is linked 70% to the performance ratings of their respective business units and 30% to the Kraft Foods Inc. performance rating. This alignment is meant to promote both line-of-sight accountability as well as ensure collaboration of talent and ideas across the enterprise. Business unit ratings for the other named executive officers are aligned 100% to the Kraft Foods Inc. rating.

The following are the financial targets and actual results that the Committee considered at year-end for the named executive officers:

	Kraft Foods Inc. Financial Targets and Results					
	Weighting	**Threshold**	**Target**	**Maximum ($ in millions)**	**2010 Actual**	**Performance Rating**
Combined Organic Revenue Growth	45%	3.0%	5.0%	7.0%	*3.5%*	***64%***
Adjusted Operating Income	35%	$6,176	$6,862	$7,411	*$6,530*	***84%***
Adjusted Free Cash Flow	20%	$1,500	$2,000	$2,500	*$3,287*	***180%***
Actual Rating						***94%***

In reviewing the results against key financial metrics, the Committee considered the following in confirming the appropriateness of the incentive payout:

- Our revenue growth was below plan, however the target was aggressive and results exceeded the median of our peers.

- These results were delivered in the middle of a large-scale company integration due to the Cadbury acquisition.

- Total shareholder return in 2010 approximates the 75th percentile of our Performance Peer Group.

The following are the financial targets, actual results and overall business unit ratings that the Committee considered at year end for the named executive officers in business unit positions.

Key Financial Metrics	Kraft Foods North America(1)			Kraft Foods Europe(2)			Kraft Foods Developing Markets(3)		
	Target	**2010 Actual**	**Perf. Rating**	**Target**	**2010 Actual ($ in millions)**	**Perf. Rating**	**Target**	**2010 Actual**	**Perf. Rating**
Combined Organic Revenue Growth	3.5%	*1.1%*	***0%***	1.6%	*2.3%*	***129%***	11.0%	*9.5%*	***83%***
Adjusted Segment Operating Income	$4,394	*$4,054*	***65%***	$1,358	*$1,434*	***146%***	$1,672	*$1,711*	***108%***
Adjusted Free Cash Flow	$2,521	*$2,541*	***101%***	$824	*$1,264*	***180%***	$309	*$1,021*	***180%***
Actual Business Unit Rating			***43%***			***145%***			***111%***

(1) For Kraft Foods North America, financial threshold and maximum performance goals are: Combined Organic Revenue Growth 1.5% and 5.5%, Adjusted Segment Operating Income $3,955 million and $4,746 million, and Adjusted Free Cash Flow $1,891 million and $3,151 million. Because actual Combined Organic Revenue Growth was below threshold, that metric resulted in a 0% performance rating.

(2) For Kraft Foods Europe, financial threshold and maximum performance goals are: Combined Organic Revenue Growth (0.4%) and 3.6%, Adjusted Segment Operating Income $1,222 million and $1,467 million, and Adjusted Free Cash Flow $412 million and $1,236 million.

(3) For Kraft Foods Developing Markets, financial threshold and maximum performance goals are: Combined Organic Revenue Growth 6.6%, and 15.4%, Adjusted Segment Operating Income $1,505 million and $1,806 million, and Adjusted Free Cash Flow $155 million and $618 million.

Although the business unit rating is a formulaic method for assessing performance against these three key internal measures, the Committee retains discretionary authority to adjust the business rating (up or down) by as much as 25 percentage points to recognize innovation, portfolio management, talent management and the quality of our results. For 2010, the Committee did not exercise discretion to modify the business ratings in any way that would have impacted the incentive payouts for the named executive officers.

While we report our financial results in accordance with U.S. GAAP, our financial targets under our incentive plans are based on non-GAAP financial measures. The adjustments to the related GAAP measure and rationale are described in the chart below.

Measure	**Definition/Adjustment to GAAP measure**	**Rationale**
Combined Organic Revenue Growth	Net revenues, including the impact of significant acquisitions, and excluding the impact of other acquisitions, divestitures and currency	Reflects the growth rates for Kraft Foods base business and Cadbury. Also, eliminates impact of other one-time factors, facilitating comparisons to prior year(s)
Adjusted Operating Income	Operating income, excluding the impact of divestitures and currency	Indicator of overall business trends and performance, based on what business can control
Adjusted Segment Operating Income	Business unit operating income excludes the impacts of divestitures, currency, unrealized gains and losses on hedging activities (which are a component of cost of sales), certain components of Kraft Foods U.S. pension plan cost (which is a component of cost of sales and marketing, administration and research costs), general corporate expenses (which are a component of marketing, administration and research costs) and amortization of intangibles for all periods presented.	Indicator of trends and performance for business segments, based on what business units can control
Adjusted Free Cash Flow	Cash flow from operations less capital expenditures plus voluntary pension contributions	Reflects financial liquidity, working capital efficiency and financial health of the company

For supplemental financial data and corresponding reconciliations to certain GAAP financial measures for the year ended December 31, 2010, see Exhibit A attached to this Proxy Statement.

Individual Performance Assessment

An executive officer s individual performance assessment can range from 0% to 180%. Each year, our Chairman and CEO provides the Committee with an individual performance and potential assessment for each of her direct reports, including the named executive officers. She also provides the Committee, for its consideration, her compensation recommendations, including recommendations for annual incentive awards, annual equity awards and base salary increases for each of her direct reports. The Committee reviews and discusses her recommendations, taking into account the various factors within the criteria, and may revise her recommendations based on those factors.

Specifically, in assessing individual performance and potential in the context of making executive compensation decisions, the Committee considers the executive officer s:

- contributions to our overall performance;
- individual performance relative to pre-established individual objectives discussed at the beginning of the performance cycle;
- leadership capabilities;
- long-term performance and potential for future advancement or ability to assume roles of greater responsibility; and
- position against competitive market norms for similar roles.

Based on these factors, the Committee assigns to the executive officer an individual performance rating and determines the executive officer s individual performance assessment from the range of percentages associated with that rating. Below is a summary of the five performance rating categories and the range of individual performance payouts associated with each category:

Individual Performance Rating	**Incentive Payout Range as a Percent of Target**
Outstanding	140% 180%
Exceeded Expectations	115% 135%
Met Expectations	90% 110%
Partially Achieved Expectations	40% 80%
Did Not Meet Expectations	0%

In 2010, the Committee took into account the following factors in determining the individual performance assessments for our named executive officers: contributions to the organization such as operational efficiency, leadership, contributions related to our acquisition and divestiture activity, quality of financial results, talent management and diversity of employees. These factors are discussed in more detail under Compensation Paid to Named Executive Officers in 2010.

Long-Term Incentives

Long-term incentive equity award grants are used to align the interests of our executive officers with those of our shareholders. For 2010, the Committee determined that the appropriate mix of grants in our long-term incentive program for senior management, including the named executive officers, was 50% performance shares, 25% stock options and 25% restricted stock. This mix places greater emphasis on performance-based compensation performance shares and stock options and less emphasis on restricted stock than in prior years. To achieve this mix, we increased the target incentive opportunities for the performance shares and reduced the midpoints for equity grants (stock options and restricted stock). The charts below highlight the changes in the target long-term incentive mix for our CEO from 2009 to 2010.

Equity Awards Stock Options and Restricted Stock

We grant non-qualified stock options and restricted stock on an annual basis. In 2010, we intended that the value delivered in the form of restricted stock be equal to the value delivered as stock options. To maintain this balance, we increased the ratio of restricted stock to stock options compared to 2009 from one to four in 2009 to one to six in 2010. The Committee decided on this equity mix because it balances the retention value of restricted stock with the performance aspect of stock options. We are committed to growing shareholder value, and our incentive plans support this objective. To support the retention aspects of the program, restricted stock awards do not vest until three years after the grant date. The stock options vest one-third each year over three years. For non-U.S. employees, we grant deferred stock units instead of restricted stock, which have the same vesting as restricted stock. Dividends are paid on unvested restricted stock and dividend equivalents are paid on deferred stock units at the same time and rate as Kraft Foods shareholders.

Award ranges are based on an analysis of competitive market practice, with the midpoint of the equity award ranges, plus the value of the LTIP opportunity, approximately equal to the size-adjusted total long-term incentive median of the Compensation Survey Group. An equity award above or below the midpoint of the range is based on a qualitative review of an executive officer s sustained individual performance and an evaluation of each executive officer s potential to assume roles with greater responsibility. In all cases, awards are between 50% and 150% of the midpoint.

The range of award opportunities, expressed in terms of grant value, for the named executive officers as of February 23, 2010, the date of the 2010 annual equity award grant, are shown in the table below.

		Grant Value Award Range(1)	
Name	**Threshold**	**Midpoint ($)**	**Maximum**
Irene Rosenfeld	2,218,500	4,437,000	6,655,500
Timothy McLevish	555,000	1,100,000	1,665,000
Tony Vernon	555,000	1,100,000	1,665,000
Michael Clarke	350,000	700,000	1,050,000
Sanjay Khosla	350,000	700,000	1,050,000

(1) The ranges above include threshold to maximum grant values for these positions. The Committee may also choose to grant an award below the threshold.

All equity awards approved by the Committee and granted to the named executive officers in 2010 were within the respective ranges presented above. Actual equity award amounts in 2010 are presented in this Proxy Statement in the 2010 Grants of Plan-Based Awards Table under Executive Compensation Tables.

The date for annual restricted stock and stock option awards is pre-set on the scheduled date of the Committee meeting immediately following the release of our annual financial results. The exercise price for stock options is determined on the date awards are approved by the Committee and is set as the average of the high and low trading prices on that date.

LTIP Performance Shares (2010 2012 Performance Cycle)

We designed the LTIP to motivate executive officers to achieve long-term financial goals and top-tier shareholder returns. The plan measures performance over a three-year period (2010 2012), and shares of Kraft Foods common stock are earned based on the actual performance against goals set at the beginning of the cycle. The number of shares earned by an executive officer depends on the achievement of key internal financial metrics and total shareholder return results relative to the companies in our Performance Peer Group. There is no individual performance factor used in the calculation. No dividends or dividend equivalents are paid or earned on unvested performance shares.

The formula shown below is used to determine actual awards for participants, including the named executive officers. Other than base salary, each element of this formula is discussed below.

Base Salary at Beginning of Performance Cycle	x	Target Incentive Opportunity (% of Base Salary) (Target number of shares established)	x	Business Performance Rating (0% 200% of target shares)	=	Actual LTIP Award (in shares)

Target Incentive Opportunity. Each participant in the plan is assigned a target award as a percentage of his or her base salary at the beginning of the performance cycle. Target award levels for the named executive officers as of January 1, 2010 are:

Ms. Rosenfeld	Mr. McLevish	Mr. Vernon	Mr. Clarke	Mr. Khosla
310%	170%	170%	130%	130%

As described above, we increased the emphasis on performance shares in the mix of long-term incentives in 2010. As such, individual target percentages increased for the 2010 2012 LTIP performance cycle while equity values for restricted stock and stock options decreased commensurately. At the beginning of the performance cycle, these target amounts are converted to a target number of shares. Actual shares earned can range from 0 to 200% of target shares at the end of the performance cycle based on the business performance rating.

Business Performance Rating. For the 2010 2012 LTIP, the Committee will measure the following corporate-focused measures, with specific weightings for all participants:

Measure	Weighting
Organic Revenue Growth(1)	25%
Operating Earnings Per Share Growth(2)	25%
Annualized Relative Total Shareholder Return(3)	50%

(1) Organic Revenue Growth is a non-GAAP financial measure and is equal to net revenue, excluding the impact of currency, acquisitions and divestitures. However, in 2010, Combined Organic Revenue Growth was used, which includes the impact of the Cadbury acquisition.

(2) Operating Earnings Per Share Growth is a non-GAAP financial measure and is equal to Earnings Per Share from continuing operations that exclude certain impacts related to the Cadbury acquisition and other one-time impacts.

(3) Annualized Relative Total Shareholder Return is a comparison relative to the Performance Peer Group during the performance cycle. Information on the Performance Peer Group is discussed below.

Beginning with the 2010 2012 LTIP performance cycle, we increased the weighting on the Annualized Relative Total Shareholder Return measure to 50% and eliminated the Adjusted Free Cash Flow measure used in previous LTIP performance cycles. In addition, we used an equal weighting of 25% for each of the other two measures Organic Revenue Growth and Operating Earnings Per Share Growth.

The Committee believes that this assessment of the Relative Total Shareholder Return ensures strong pay for performance alignment with shareholders. The target objective set for Relative Total Shareholder Return is the median of the Performance Peer Group from 2010 to 2012. The Organic Revenue Growth and Operating Earnings Per Share Growth targets were set relative to historical and projected future results of the Performance Peer Group.

We do not publicly disclose specific long-term incentive plan targets on a prospective basis due to potential competitive harm. Revealing specific objectives prospectively would provide competitors and other third parties with insights into our confidential planning process and strategies, thereby causing competitive harm. The performance goals are designed to be aggressive, and there is a risk that payments will not be made at all or will be made at less than 100% of the target amount. The performance goals for Organic Revenue Growth and Operating EPS Growth are in line with our historical Performance Peer Group median. The degree of difficulty in achieving the internal measures is challenging.

Both our annual and long-term incentive plans use Organic Revenue Growth, but the benchmarks used to set targets for these plans are different. We believe the use of these measures focus our employees on critical internal drivers, both in the short- and long-term. We set the short-term targets against our plan, whereas we set the long-term targets against the performance benchmarks of our peers. These metrics, when used together, have a high correlation with shareholder value.

To address unforeseen or unintended consequences, the Committee retains discretion to adjust the final business performance rating (up or down) by as much as 25 percentage points, including factoring in a subjective review that considers quality of financial results, portfolio management, innovation and talent development. We will disclose any discretion applied by the Committee at the conclusion of the performance cycle.

LTIP Performance Shares (2008 2010 Performance Cycle)

Ms. Rosenfeld and Messrs. Khosla and McLevish participated in the 2008 2010 LTIP. The plan measured Kraft Foods performance over a three-year period (2008 2010), and the Committee awarded shares based on actual performance against goals set at the beginning of the cycle.

Business Performance Rating and Payments. The Committee established the following weightings and target goals for the 2008 2010 LTIP and approved the resulting performance rating for determining the ultimate payout.

		Kraft Foods Inc.				
Key Financial Metrics	**Weighting**	**Threshold**	**Target**	**Maximum**	**2008 2010 Actual**	**Perf. Rating**
Organic Revenue Growth(1)	30%	3.0%	4.5%	7.5%	*3.9% growth*	***80%***
Ongoing EPS Growth(2)	20%	4.0%	7.5%	10.5%	*9.2% growth*	***157%***
Cumulative Adjusted Free Cash Flow(3)	20%	$6.1 billion	$6.7 billion	$8.1 billion	*$10.2 billion*	***200%***
Annualized Relative Total Shareholder Return	30%	4 pp(4) below median	median	8 pp(4) above median	*0.6 pp(4) above median*	***108%***
Actual Business Performance Rating						***128%***

(1) For 2010, we modified Revenue Growth from Organic to Combined Organic to include the growth of the Cadbury businesses.

(2) For 2010, we modified the EPS Growth measure from Ongoing to Operating to align with Kraft Foods EPS benchmark communicated externally.

(3) For 2010, we changed the name of the cash flow measure to Cumulative Adjusted Free Cash Flow from Cumulative Discretionary Cash Flow, but did not change the method of calculation.

(4) pp represents percentage points.

There were no individual or business unit performance factors used in the calculation. Kraft Foods performance was significantly above target in Cumulative Adjusted Free Cash Flow and Ongoing EPS Growth. Organic Revenue Growth was below target. Relative Total Shareholder Return was slightly above the median. The Committee believed the 128% payout was appropriate given its overall evaluation of Kraft Foods performance and economic conditions, and therefore did not use its discretion to adjust the final business performance ratings.

Based on target awards, as a percent of salary, and the business performance rating of 128% of target, the chart below shows the share payouts for each of the named executive officers:

Name	Target Award	Actual Award
Irene Rosenfeld	250% of salary	162,023 shares
Timothy McLevish	150% of salary	40,180 shares
Sanjay Khosla	125% of salary	34,727 shares

Voluntary Non-Qualified Deferred Compensation

U.S. Deferred Compensation Plan

In 2010, certain U.S. senior management (approximately 125 employees), including the U.S.-based named executive officers, were eligible for a voluntary non-qualified deferred compensation plan. The program is similar to those provided to executive officers at many of the companies within the Compensation Survey Group and is provided for retention and recruitment purposes. The deferred compensation plan provides an opportunity for executives to defer, on a pre-tax basis, up to 50% of their salary and up to 100% of their annual cash incentives. The investment choices mirror those in the Kraft Foods Inc. Thrift/TIP 401(k) Plan.

U.S. Supplemental Benefits Plan

We also provide a non-qualified program, the Kraft Foods Supplemental Benefits Plan, for U.S. employees whose compensation exceeds the compensation limit established by the Internal Revenue Code of 1986, as amended (the Code), for tax-qualified plan contributions. Under this program, and consistent with all other U.S. employees, a company match is provided on deferrals of base salary and annual cash incentives under this plan.

Perquisites

Our named executive officers receive limited perquisites, including a car allowance, a financial counseling allowance and, for the Chairman and CEO only, personal use of the corporate aircraft. For security and personal safety reasons, we require Ms. Rosenfeld to use the corporate aircraft for both business and personal travel. This allows Ms. Rosenfeld to be more productive and efficient when she travels. Taxes on all perquisites are the sole responsibility of the named executive officer. The types and total costs of perquisites we offer are similar to the types and costs offered at other peer companies. The Committee believes that these perquisites are important for retention and recruitment purposes. Specific executive officer perquisites are listed in the footnotes to the Summary Compensation Table under Executive Compensation Tables. Other than these perquisites, executive officers receive the same benefits as other Kraft Foods employees.

Post-Termination Compensation

Post-termination compensation consists of both separation pay and retirement benefits. We do not have employment agreements with any of our named executive officers as these individuals, including Ms. Rosenfeld, are at will employees.

Change in Control Plan. We have a Change in Control Plan (the CIC Plan) for senior executive officers. The provisions in the CIC Plan are consistent with similar plans maintained by companies in the Compensation Survey Group, including eligibility, severance benefit levels and treatment of cash and equity incentive compensation. The separation payments are structured to help assure that key personnel, including our named executive officers, would be available to assist in the successful transition following a change in control and provide a competitive level of severance protection if the executive officer is involuntarily terminated without cause following a change in control. Under the CIC Plan, restricted stock and stock options only vest upon a change in control if the participant is terminated without cause or resigns for good reason within two years following the change in control or if the acquiring entity does not assume the awards (double trigger). In 2009, we eliminated the excise tax gross up for all executives who first become eligible to participate in the CIC Plan after December 31, 2009. For executives who participated in the CIC Plan prior to this change, Kraft Foods will cover excise taxes as follows: (a) all excise taxes that may be triggered by separation payments paid to the Chairman and CEO; and (b) excise taxes for all other participants will only be paid if change in control separation payments exceed 110% of the IRS-imposed threshold at which the excise tax becomes payable. To the extent that separation payments do not exceed 110% of the threshold but do trigger excise tax payments, separation payments will be limited to the maximum amount that does not trigger the excise tax amounts. This is done to minimize our expense for separation payments that do not significantly exceed the IRS-imposed threshold.

The severance arrangements and other benefits provided for under the CIC Plan (as well as the equity treatment upon certain separations in the event of a change in control) are described under Executive Compensation Tables Potential Payments upon Termination or Change in Control.

Non-Change in Control Severance Agreements. We do not have individual severance or employment agreements with any of our named executive officers. We do maintain a broad-based severance plan in the United States that provides for certain severance payments in the event of job elimination or a workforce reduction. Similar plans are generally available in other countries where we have employees. The plans facilitate recruitment and retention, as most of the companies in the Compensation Survey Group offer similar benefits to their executives. The severance arrangements and other benefits provided for under these severance plans are described under Executive Compensation Tables Potential Payments upon Termination or Change in Control.

Retirement Benefits. We offer both tax-qualified and supplemental defined benefit retirement plans to executive officers, including the named executive officers with the exception of Mr. Vernon, and these plans vary by country. In the United States, employees, including Mr. Vernon, hired after December 31, 2008 are not eligible to participate in either a tax-qualified or supplemental defined benefit retirement plan. Mr. Vernon and other U.S. employees hired after December 31, 2008 are eligible to participate in an enhanced defined contribution program. The Committee believes that these retirement benefits have helped in retention and recruitment, as many of the companies in the Compensation Survey Group offer similar programs. However, in recent years, the Committee has weighed the volatile cost environment that exists for defined benefit plans, especially in the United States. Based on the significant cost implications of continuing a defined benefit pension plan in the United States, the defined benefit plan was closed to new participants after December 31, 2008. In addition, defined benefit accruals for participants in the U.S. defined benefit plan will only continue for a 10-year period from January 1, 2009. Accrued amounts and additional details of these retirement programs are presented in the 2010 Pension Benefits Table and the accompanying narrative to the table under Executive Compensation Tables.

We provide Ms. Rosenfeld with an enhanced pension benefit that credits her pension service for the period of time that she was not employed by Kraft Foods between 2004 and 2006. We provided this enhanced pension benefit to Ms. Rosenfeld because she forfeited her right to a pension benefit at her previous employer when she rejoined Kraft Foods. This benefit was part of a broader incentive program to help encourage her to return to Kraft Foods. Additional details of this benefit are presented in the 2010 Pension Benefits Table and the accompanying narrative to the table under Executive Compensation Tables.

The Committee believes that both the U.S. tax-qualified and supplemental defined contribution plans are integral parts of our overall executive compensation program. The supplemental defined contribution program is important because it encourages executive officers, including named executive officers, to save for retirement. The Committee believes that our named executive officers should be able to defer the same percentage of their compensation, and receive the corresponding Kraft Foods matching contributions, as all other employees, without regard to the compensation limit established by the Code, for tax-qualified plan contributions. As stated previously, employees hired after December 31, 2008, including Mr. Vernon, are eligible to participate in an enhanced defined contribution program. This enhanced program is offered to U.S. employees not eligible to participate in the tax-qualified or supplemental defined benefit plans. Accrued amounts and additional details of each of the non-qualified deferred compensation programs offered to named executive officers are presented in the 2010 Non-Qualified Deferred Compensation Table and the accompanying narrative to the table under Executive Compensation Tables.

Compensation Paid to Named Executive Officers in 2010

Overview

There are no material differences in compensation policies with respect to each named executive officer. We designed each of the named executive officer s target compensation levels to be at or near the Compensation Survey Group s size-adjusted median. Actual compensation will be dependent on both business and individual performance in any given year.

Below are the specific compensation actions for each of the named executive officers in 2010.

Ms. Rosenfeld

Base Salary Increase. Ms. Rosenfeld received a 3.1% salary increase from $1.470 million to $1.515 million. Ms. Rosenfeld s salary increase was commensurate with company guidelines for increases, taking into account her individual performance assessment. Her salary is below the size-adjusted median of the Compensation Survey Group.

Actual Annual Incentive. The Committee determined Ms. Rosenfeld s annual incentive for 2010 in accordance with the 2010 Annual Incentive Plan program. Based on our performance relative to target (business unit rating of 94%) and Ms. Rosenfeld s individual performance, Ms. Rosenfeld s actual annual incentive is below her target in 2010. For 2010, the Committee considered the following performance in determining Ms. Rosenfeld s individual performance assessment:

- Delivered solid financial performance relative to peers, however, overall financial performance was mixed relative to target as discussed under Elements of Executive Compensation Annual Cash Incentives 2010 Business Unit Ratings above.
- Delivered above plan performance on key strategic initiatives as evidenced by the following:
  - Strong delivery of Cadbury integration savings is ahead of plan. Savings are on pace to deliver $750 million in annual costs savings by 2013.
  - Relative total shareholder return in 2010 of 20.4% approximates the 75th percentile of our Performance Peer Group.
  - Strong new product revenue results in 2010.
  - Improved talent pipeline developed through retention of Cadbury leaders, strengthened key sales leadership roles and improved year-over-year diversity representation.
  - Marketing capabilities were improved through external recruiting efforts and through the use of new tools and techniques.

Corporate social responsibility efforts met or exceeded all plans in 2010.

Equity Award (Stock Options and Restricted Stock). As part of our annual equity program in 2010, the Committee granted Ms. Rosenfeld an award of 95,150 restricted stock shares and 570,900 stock options (combined value on grant date of $4,868,350). This equity grant along with the 2010 2012 LTIP opportunity is slightly above the size-adjusted median of the Compensation Survey Group.

2008 2010 LTIP. Based on the formulaic determination of this incentive, Ms. Rosenfeld was awarded 162,023 shares of Kraft Foods common stock, which represented 128% of her target award opportunity.

Defined Benefit Accrual. The present value of Ms. Rosenfeld s retirement benefit under the Kraft Foods Global, Inc. Supplemental Benefits Plan I increased significantly as measured at the end of 2010. An increase in the final average pay calculation was a major factor contributing to $3.1 million of the increase, along with a decrease in the applicable discount rate, which accounted for $1.7 million of the increase. In addition, there were normal increases in pension values due to career progression which totaled approximately $0.5 million. There were no changes to the terms of the plan for Ms. Rosenfeld in 2010.

Other Named Executive Officers

The chart below shows specific compensation actions for each named executive officer in 2010 followed by a description of these decisions:

	Salary Increase	New Salary	2010 Annual Incentive Payment	2010 Equity Award (# of Shares)	2008 2010 LTIP
Mr. McLevish	7.1%	$750,000	$665,000	25,740 restricted stock 154,440 stock options	40,180 shares
Mr. Vernon	3.4%	$750,000	$409,450	22,310 restricted stock 133,860 stock options	Not eligible for award
Mr. Clarke	7.7%	$700,000	$1,165,000	15,450 restricted stock 92,700 stock options	Not eligible for award
Mr. Khosla	2.8%	$740,000	$847,200	14,590 restricted stock 87,450 stock options	34,727 shares

Mr. McLevish

Base Salary Increase. The Committee addressed a shortfall in Mr. McLevish s salary compared to the Compensation Survey Group median. Mr. McLevish s salary remains below the size-adjusted median of the Compensation Survey Group.

Actual Annual Incentive. In 2010, Mr. McLevish s individual performance guidelines were primarily related to delivering solid financial results, including those related to the Cadbury integration and the leadership he has shown in transforming the Finance organization, including strengthening the leadership in the Finance function.

Equity Award (Stock Options and Restricted Stock). This equity grant along with the 2010 2012 LTIP opportunity is above the size-adjusted median of the Compensation Survey Group.

2008 2010 LTIP. Per the design of the plan, no individual adjustments were made.

Mr. Vernon

Base Salary Increase. Mr. Vernon s salary increase was commensurate with company guidelines for increases, taking into account his individual performance assessment. His salary approximates the size-adjusted median of the Compensation Survey Group.

Actual Annual Incentive. In 2010, Mr. Vernon s individual performance guidelines were primarily related to leading the North America business through a challenging operating environment while also leading the business through a turnaround by improving marketing and innovation programs, strengthening the leadership team in key businesses, improving sales effectiveness and focusing on significant cost reductions.

Equity Award (Stock Options and Restricted Stock). This equity grant along with the 2010 2012 LTIP opportunity is above the size-adjusted median of the Compensation Survey Group.

Mr. Clarke

Base Salary Increase. The Committee addressed a shortfall in Mr. Clarke s salary compared to the Compensation Survey Group median. Mr. Clarke s salary approximates the size-adjusted median of the Compensation Survey Group.

Actual Annual Incentive. In 2010, Mr. Clarke s individual performance guidelines were primarily related to his leadership in delivering very strong operating performance in Europe while leading the integration of both the LU and Cadbury businesses into the Kraft Foods business.

Equity Award (Stock Options and Deferred Stock Units). This equity grant along with the 2010 2012 LTIP opportunity is at the size-adjusted median of the Compensation Survey Group.

Mr. Khosla

Base Salary Increase. Mr. Khosla s salary increase was commensurate with company guidelines for increases, taking into account his individual performance assessment. His salary approximates the size-adjusted median of the Compensation Survey Group.

Actual Annual Incentive. In 2010, Mr. Khosla s individual performance guidelines were primarily related to his leadership in delivering solid business results across Developing Markets despite an extremely challenging operating environment in the Central and Eastern Europe, Middle East and Africa region. Mr. Khosla was also instrumental in leading the Developing Markets business through the Cadbury integration during 2010.

Equity Award (Stock Options and Restricted Stock). This equity grant along with the 2010 2012 LTIP opportunity is at the size-adjusted median of the Compensation Survey Group.

2008 2010 LTIP. Per the design of the plan, no individual adjustments were made.

Additional Information on Compensation Principles

Providing Competitive Pay

Composition and Purpose of the Compensation Survey Group

We annually compare our compensation program with those companies in the Compensation Survey Group. This annual review is designed to assure that our compensation program and target compensation levels are consistent with market practice and maintain our ability to attract and retain the level of talent we need to drive sustainable superior total shareholder returns.

To assure that the Compensation Survey Group includes the most appropriate companies, the Committee considers companies meeting the following criteria: have similar revenue size and market capitalization, emphasize the food and beverage industry, have a global focus, are recognized for their industry leadership and brand recognition, have executive positions similar in breadth, complexity and scope of responsibility and compete with us for executive talent. In its evaluation of companies, the Committee starts with companies with revenue over $10 billion and up to 2.5 times our revenue. The median revenue of the peers is $27 billion. Our revenue exceeds the 75th percentile of the peer companies.

Based on this, and in consultation with management and with the assistance the Committee s compensation consultant, the Committee maintained the following companies for the 2010 Compensation Survey Group:

3M Company	Kimberly-Clark Corporation
Abbott Laboratories	McDonald s Corporation
Bristol-Myers Squibb Company	Merck & Co., Inc.
The Coca-Cola Company	Nestlé S.A.
Colgate-Palmolive Company	PepsiCo, Inc.
ConAgra Foods, Inc.	Pfizer Inc.
Eli Lilly and Company	The Procter & Gamble Company
General Mills, Inc.	Sara Lee Corporation
H.J. Heinz Company	Unilever N.V.
Johnson & Johnson	The Walt Disney Company
Kellogg Company	

In determining appropriate compensation levels for the named executive officers, the Committee reviews compensation levels for similarly situated executives at companies in the Compensation Survey Group. Compensation data is provided by Aon Hewitt. The Committee s compensation consultant reviews and evaluates the data provided by Aon Hewitt on behalf of the Committee.

2010 Competitive Positioning

Our compensation philosophy is to set target total compensation, including base salary and annual and long-term incentives, at or near the median of the Compensation Survey Group, based on size-adjusted data. The Committee believes that targeting the size-adjusted median of the Compensation Survey Group provides the opportunity to attract and retain talented employees. Due to our revenue size relative to our peer group ($49 billion in revenue for the year ended December 31, 2010 vs. a median of $27 billion), the Committee uses a size-adjusted median when comparing executive compensation levels. For positions with corporate-wide responsibilities, the Committee uses the average of the revenue-correlated median (based on $49 billion in revenues relative to the $27 billion median of the Compensation Survey Group) and the raw median to obtain a size-adjusted median. We use this same approach for senior business unit level positions. In effect, the Committee is using a value greater than the raw median but less than a revenue-correlated median. This results in a more conservative approach to benchmarking the compensation data than simply using the revenue-correlated median.

The magnitude of the size-adjusted median (in terms of percentile ranking) typically places total compensation, in addition to the individual elements of total compensation, between the raw median and the 75^{th} percentile of the Compensation Survey Group. For perspective, our revenue exceeds the 75^{th} percentile of the Compensation Survey Group.

Based on compensation actions taken for each of the named executive officers in 2010, target total compensation for each of them is at or below the size-adjusted median of the Compensation Survey Group, based on the latest available data reported by Aon Hewitt.

Composition and Purpose of the Performance Peer Group

The Committee uses the Performance Peer Group to understand the linkage of pay and performance and for determining the relative total shareholder measure in the LTIP. For 2010, the Performance Peer Group was comprised of companies the Committee considered to be our market competitors or that had been selected primarily on the basis of industry. In 2010, the Committee reviewed the composition of the Performance Peer Group and decided to include only food and non-alcoholic beverage companies. As a result, we removed Clorox, Colgate-Palmolive, Diageo and Procter & Gamble. Cadbury plc was also removed due to our business combination. We used the revised

Performance Peer Group starting with the 2010 2012 LTIP. There is substantial overlap (9 of the 12 companies) between the Performance Peer Group and the Compensation Survey Group. The primary difference between the Performance Peer Group and the Compensation Survey Group is that the Performance Peer Group companies are only food and non-alcoholic beverage companies and are included regardless of revenue size or market capitalization.

With respect to performance measures for our LTIP, we believe that it is relevant to compare our financial performance to a group of food and non-alcoholic beverage companies as it is likely that our shareholders are comparing our financial performance to a similar group of companies when making investment decisions. We believe that this group is less relevant when comparing compensation levels at various positions within the organization due to our size and complexity relative to several companies included in this group. The Performance Peer Group companies are:

Campbell Soup Company	H.J. Heinz Company
The Coca-Cola Company	Kellogg Company
ConAgra Foods, Inc.	Nestlé S.A.
General Mills, Inc.	PepsiCo, Inc.
Groupe Danone	Sara Lee Corporation
The Hershey Company	Unilever N.V.

Requiring Stock Ownership

To further align the interests of our senior management (approximately 190 executives), including our named executive officers, with those of our shareholders, each executive is required to acquire and hold a significant amount of Kraft Foods common stock. Ms. Rosenfeld s stock ownership requirement is eight times her salary, and we require that each of the other named executive officers hold four times their salaries. As of March 1, 2011, Ms. Rosenfeld and Messrs. McLevish and Khosla had stock ownership levels at or above their respective ownership guidelines. Messrs. Clarke and Vernon joined Kraft Foods in 2009 and are currently below minimum stock ownership levels as permitted under our policy. Under the policy, executives have five years from their employment date to attain expected stock ownership levels.

The Committee believes that our stock ownership levels will help increase the focus of our executives on improving total shareholder return over time. Our stock ownership guideline levels are greater than the median of our peers in the Compensation Survey Group, and we monitor compliance with these levels regularly. We define stock ownership as direct ownership of Kraft Foods common stock, including sole ownership, direct purchase plan shares, restricted shares and accounts over which the executive has direct or indirect ownership or control. This definition does not include unexercised Kraft Foods stock options or unearned performance shares. If an executive does not meet the ownership level in the required timeline, the Chairman and CEO may take any further action as she deems appropriate depending on the executive s particular circumstances.

In December 2010, we added stock holding requirements to be used in tandem with our stock ownership guidelines. Starting in 2011, our named executive officers are required to hold 100% of all net-tax shares from stock option exercises and restricted stock and performance share vestings until they meet stock ownership guidelines. In addition, once stock ownership guidelines are attained, a named executive officer is required to hold 100% of net-tax shares for at least one year after stock option exercise or restricted stock or LTIP performance share vesting. This minimum period of ownership ensures that executives are not encouraged to make decisions that may influence the stock price in the short-term at the long-term detriment of our shareholders.

Policy on Recoupment of Executive Incentive Compensation in the Event of Certain Restatements

The Board or an appropriate committee of the Board may determine that, as a result of a restatement of Kraft Foods financial statements, an executive officer received more compensation than the executive officer would have received absent the incorrect financial statements. The Board or committee, in its discretion, may then take such actions as it deems necessary or appropriate to address the events that gave rise to the restatement and to prevent its recurrence. Such actions may include, to the extent permitted by applicable law:

- requiring the executive officer to repay some or all of any bonus or other incentive compensation paid;
- requiring the executive officer to repay any gains realized on the exercise of stock options or on the open-market sale of vested shares;
- canceling some or all of the executive officer s restricted stock or deferred stock awards and outstanding stock options;
- adjusting the executive officer s future compensation; or
- terminating or initiating legal action against the executive officer.

Anti-Hedging Policy and Trading Restrictions

Our current insider trading policy limits the timing and types of transactions in Kraft Foods securities by Section 16 officers, including the named executive officers. Among other restrictions, the policy:

- allows Section 16 officers to trade company securities only during window periods (following earnings releases) and only after they have pre-cleared transactions;
- prohibits Section 16 officers from short-selling company securities or selling against the box (failing to deliver sold securities); and
- prohibits Section 16 officers (and any member of the Section 16 officer s family sharing the same household) from transactions in puts, calls or other derivatives on Kraft Foods securities on an exchange or in any other organized market, as well as any other derivative or hedging transactions on Kraft Foods securities.

Policy with Respect to Qualifying Compensation for Tax Deductibility

Section 162(m) of the Code limits our ability to deduct compensation paid to certain of the named executive officers (the covered employees) for tax purposes to $1.0 million annually. Covered employees include the principal executive officer and Kraft Foods next three highest paid executive officers, other than Kraft Foods principal financial officer. This limitation does not apply to performance-based compensation, provided certain conditions are satisfied. For 2010, annual incentive awards, stock options, restricted stock and performance shares awarded to covered employees were subject to, and made in accordance with, performance-based compensation arrangements previously implemented that were intended to qualify as tax deductible.

We intend to qualify time-vested restricted stock awards granted to our covered employees using the performance-based compensation exemption. In March 2009, the Committee approved a formula to determine the maximum number of restricted shares that could be awarded to the covered employees contingent upon the achievement of adjusted net earnings during a one-year performance period prior to the stock grant. Under the formula, the maximum number of restricted shares that could be awarded under our 2010 annual restricted stock awards program was equal to 1.50% of our adjusted net earnings in 2009. We defined adjusted net earnings as net earnings before extraordinary items, discontinued operations and the cumulative effect of accounting changes and excluding certain

other items designated by the Committee. In addition, our Amended and Restated 2005 Performance Incentive Plan limits individual annual restricted stock awards to 1.0 million shares. In February 2010, using the adjusted net earnings formula, the Committee determined the grant value pool for the 2010 restricted stock grant awards. The maximum award available for grant to our CEO was equal to one-third of the pool. The remaining two-thirds of the pool was available for allocation among the remaining covered employees, subject in each instance to the maximum individual award amount under our Amended and Restated 2005 Performance Incentive Plan.

The Committee has retained the discretion to authorize payments that may not be tax-deductible, if it believes that such payments are in the best interest of shareholders. For example, the Committee decided, based on benchmarking salaries of other chief executive officers in the Compensation Survey Group, to pay Ms. Rosenfeld an annual base salary in excess of $1.0 million. Therefore, a portion of her salary was not tax deductible in 2010. In addition, a portion of certain of the other covered employees income exceeded the $1.0 million tax deductibility limit in 2010 because of other elements of their annual compensation. Specifically, to the extent that a covered employee s compensation from a combination of base salary, restricted stock vesting proceeds not intended to be performance-based, restricted stock dividends and certain taxable perquisites exceeded $1.0 million, the excess amount was not deductible in 2010.

EXECUTIVE COMPENSATION TABLES

2010 Summary Compensation Table

All data in U.S. Dollars

						Non-Equity Incentive Plan Compensation				
Name and Principal Position	**Year**	**Salary ($)**	**Stock Awards[1] ($)**	**Option Awards[2] ($)**	**Annual Incentive Awards[3] ($)**	**Cumulative Three - Year (2007 - 2009) Incentive Plan Awards ($)**	**Total Non-Equity Incentive Plan Compen-sation ($)**	**Change in Pension Value[4] ($)**	**All Other Compen-sation[5] ($)**	**Total Compen-sation ($)**
Rosenfeld, Irene	2010	1,503,231	7,394,668	2,095,203	2,130,810		2,130,810	5,812,189	351,882	19,287,983
Chairman and Chief	2009	1,470,000	7,829,371	1,857,776	3,956,000	6,628,125	10,584,125	4,240,935	362,994	26,345,201
Executive Officer	2008	1,452,231	7,982,638	2,352,760	4,070,000		4,070,000	2,722,960	153,868	18,734,457
McLevish, Timothy	2010	736,923	1,956,975	566,795	665,000		665,000	268,411	115,752	4,309,856
Executive Vice President	2009	700,000	1,941,578	396,854	1,287,000	792,219	2,079,219	185,003	103,224	5,405,878
and Chief Financial Officer	2008	693,654	1,721,994	426,550	1,075,000		1,075,000	77,668	99,956	4,094,822
Clarke, Michael	2010	686,923	1,307,369	340,209	1,165,000		1,165,000	140,716	524,368	4,164,585
Executive Vice President and	2009	640,000	2,018,005	200,678	900,000		900,000	132,665	955,674	4,847,022
President, Europe										
Khosla, Sanjay	2010	734,769	1,374,580	321,272	847,200		847,200	297,788	101,118	3,676,727
Executive Vice President	2009	720,000	2,389,562	215,472	1,050,000	900,583	1,950,583	237,206	275,190	5,788,013
and President, Developing Markets	2008	714,923	1,345,685	281,792	1,100,000		1,100,000	148,261	232,809	3,823,470
Vernon, William Executive Vice President and President, North America	2010	743,462	1,900,236	491,266	409,450		409,450		113,413	3,657,827

(1) The stock awards column includes restricted stock or deferred stock units and performance shares. The amounts shown in this column represent the full grant date fair value of the stock awards granted in each year as computed in accordance with FASB ASC Topic 718. For performance shares, the amounts are based on the probable outcome of the performance conditions as of the grant date. Assumptions used in the calculation of these amounts are included in Note 10 to the consolidated financial statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (the Form 10-K). Below is a breakout of the 2010 2012, 2009 2011 and 2008 2010 performance share grant date fair values assuming target performance and maximum performance (in the case of maximum, based on the maximum number of shares multiplied by the stock price on the grant date).

Name	Performance Cycle	Grant Date Fair Value ($)	Payment at Maximum Performance ($)
Rosenfeld, Irene	2010 2012	4,621,521	9,114,527
	2009 2011	3,732,819	7,350,480
	2008 2010	4,120,103	8,166,942
McLevish, Timothy	2010 2012	1,206,783	2,380,008
	2009 2011	1,066,480	2,100,060
	2008 2010	1,021,726	2,025,283
Clarke, Michael	2010 2012	857,079	1,690,325
	2009 2011	825,432	1,625,400
Khosla, Sanjay	2010 2012	949,354	1,872,309
	2009 2011	914,283	1,800,360
	2008 2010	883,065	1,750,428
Vernon, William	2010 2012	1,250,011	2,465,262

(2) The option awards column includes option awards granted in 2010, 2009 and 2008. The amounts shown in this column represent the full grant date fair value of the option awards granted in each year as computed in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in Note 10 to the consolidated financial statements contained in our Form 10-K.

(3) The amounts shown in this column represent awards paid under our Annual Incentive Plan. Awards are paid in March of the following plan year.

(4) The amounts shown in this column for Ms. Rosenfeld and Messrs. McLevish and Khosla represent the aggregate increase in the actuarial present value of each named executive officer s benefits under our U.S. Tax-Qualified Pension Plan and other U.S. supplemental defined benefit pension plans. For Mr. Clarke, the amount shown in this column represents the aggregate increase in the actuarial present value of benefits under our Mobile Employee Retirement Plan (MERP). Beginning January 1, 2009, the U.S. pension plans were no longer offered to newly hired U.S. employees. Mr. Vernon was hired on August 17, 2009 and is not eligible to participate in the U.S. pension plans. However, he is eligible to participate in an enhanced defined contribution plan similar to all other U.S. employees hired after December 31, 2008.

(5) The amounts shown in the All Other Compensation column for 2010 include the following:

	I. Rosenfeld ($)	T. McLevish ($)	M. Clarke ($)	S. Khosla ($)	W. Vernon ($)
Personal use of company aircraft[(a)]	81,838				
Car expenses	24,379	17,175	26,704	13,303	15,182
Financial counseling allowance		7,500	5,316	7,500	2,550
Relocation expenses[(b)]			50,970		2,146
Employer match on defined contribution plans	245,665	91,077		80,315	92,197
Reimbursement for taxes related to relocation[(c)]			3,511		1,338
Tax equalization payment[(d)]			178,966		
Payments related to expatriate assignment[(e)]			258,901		
Total All Other Compensation	**351,882**	**115,752**	**524,368**	**101,118**	**113,413**

(a) For reasons of security and personal safety, we require Ms. Rosenfeld to use our aircraft for all travel. The incremental cost of personal use of our aircraft includes the cost of trip-related crew hotels and meals, in-flight food and beverages, landing and ground handling

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fees, hourly maintenance contract costs, hangar or aircraft parking costs, fuel costs based on the average annual cost of fuel per hour flown, and other smaller variable costs. Fixed costs that would be incurred in any event to operate our aircraft (for example, aircraft purchase costs, maintenance not related to personal trips and flight crew salaries) are not included in the incremental cost of Ms. Rosenfeld s use of our aircraft. Ms. Rosenfeld is responsible for taxes in connection with her personal use of our aircraft and is not reimbursed for such taxes.

(b) The relocation amounts for Messrs. Clarke and Vernon primarily include the costs of shipping household goods, temporary living fees and associated travel expenses.

(c) The amounts represent reimbursement for taxes associated with Messrs. Clarke s and Vernon s relocations to our headquarters. These tax reimbursements are made in accordance with our relocation policy.

(d) These tax payments are made pursuant to our International Assignment Policy, which is designed to facilitate the relocation of employees to positions in other countries by covering taxes over and above those that employees accepting international assignments would have incurred had they remained in their home countries.

(e) This amount includes payments or reimbursements made pursuant to our International Assignment Policy and includes house rental expenses of $165,859.

2010 Grants of Plan-Based Awards

Name	Grant Date	Grant Type	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) Target ($)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards(2) Target (#)	Estimated Future Payouts Under Equity Incentive Plan Awards(2) Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units(3) (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise Price of Option Awards(4) ($/ Share)	Grant Date Fair Value of Stock and Option Awards(5) ($)
Rosenfeld, Irene		AIP	2,272,500	5,681,250						
	01/04/2010	Performance Shares			166,780	333,560				4,621,521
	02/23/2010	Restricted Shares					95,150			2,773,147
	02/23/2010	Stock Options						570,900	29.145	2,095,203
McLevish, Timothy		AIP	675,000	1,687,500						
	01/04/2010	Performance Shares			43,550	87,100				1,206,783
	02/23/2010	Restricted Shares					25,740			750,192
	02/23/2010	Stock Options						154,440	29.145	566,795
Clarke, Michael		AIP	560,000	1,400,000						
	01/04/2010	Performance Shares			30,930	61,860				857,079
	02/23/2010	Deferred Stock Units					15,450			450,290
	02/23/2010	Stock Options						92,700	29.145	340,209
Khosla, Sanjay		AIP	592,000	1,480,000						
	01/04/2010	Performance Shares			34,260	68,520				949,354
	02/23/2010	Restricted Shares					14,590			425,226
	02/23/2010	Stock Options						87,540	29.145	321,272
Vernon, William		AIP	675,000	1,687,500						
	01/04/2010	Performance Shares			45,110	90,220				1,250,011
	02/23/2010	Restricted Shares					22,310			650,225
	02/23/2010	Stock Options						133,860	29.145	491,266

(1) The target amounts represent the potential cash payout if both business and individual performance are at target levels under our 2010 Annual Incentive Plan. Actual amounts under our 2010 Annual Incentive Plan were paid in March 2011 and are disclosed in the 2010 Summary Compensation Table. The maximum amounts shown for the 2010 Annual Incentive Plan awards are equal to 250% of target.

(2) The performance shares are granted under our 2010 2012 LTIP. The target number of shares shown in the table reflects the number of shares of our common stock that will be earned if each of the performance metrics are at target levels. Actual shares awarded under the 2010 2012 LTIP are scheduled to be paid in March 2013. No dividends or dividend equivalents are paid or

earned on unvested performance shares.

(3) Dividends are paid on the unvested restricted stock and dividend equivalents are paid on the deferred stock units at the same rate as Kraft Foods shareholders.

(4) The exercise price of the stock option awards represents the fair market value (average of high and low stock prices) of our common stock on the grant date. For all stock options granted in 2010, the exercise price ($29.145) is greater than the closing stock price ($29.13) on the date of grant.

(5) The amounts represent the grant date fair value of the awards as computed in accordance with FASB ASC Topic 718.

2010 Outstanding Equity Awards at Fiscal Year-End

		Option Awards					Stock Awards			
Name	**Grant Date(1)**	**Number of Securities Underlying Un-exercised Options Exercisable (#)**	**Number of Securities Underlying Un-exercised Options Unexercisable (#)**	**Equity Incentive Plan Awards: Number of Securities Underlying Un-exercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested(2) ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested(2) ($)**
Rosenfeld, Irene	06/27/2006						225,884	7,117,605		
	05/03/2007			300,000	33.140	05/02/2017				
	02/04/2008						131,000	4,127,810		
	02/04/2008	345,840	178,160		29.485	02/02/2018				
	01/02/2009								136,120	4,289,141
	02/20/2009						173,300	5,460,683		
	02/20/2009	228,756	464,444		23.639	02/20/2019				
	01/04/2010								166,780	5,255,238
	02/23/2010						95,150	2,998,177		
	02/23/2010		570,900		29.145	02/21/2020				
McLevish, Timothy	02/04/2008						23,750	748,363		
	02/04/2008	62,700	32,300		29.485	02/02/2018				
	01/02/2009								38,890	1,225,424
	02/20/2009						37,020	1,166,500		
	02/20/2009	48,866	99,214		23.639	02/20/2019				
	01/04/2010								43,550	1,372,261
	02/23/2010						25,740	811,067		
	02/23/2010		154,440		29.145	02/21/2020				
Clarke, Michael	01/02/2009						27,780	875,348		
	01/02/2009								30,100	948,451
	02/20/2009						18,720	589,867		
	02/20/2009	24,710	50,170		23.639	02/20/2019				
	01/04/2010								30,930	974,604
	02/23/2010						15,450	486,830		
	02/23/2010		92,700		29.145	02/21/2020				
Khosla, Sanjay	02/04/2008						15,690	494,392		
	02/04/2008	41,421	21,339		29.485	02/02/2018				
	01/02/2009								33,340	1,050,543
	02/20/2009						62,410	1,966,539		
	02/20/2009	26,532	53,868		23.639	02/20/2019				
	01/04/2010								34,260	1,079,533
	02/23/2010						14,590	459,731		
	02/23/2010		87,540		29.145	02/21/2020				
Vernon, William	01/02/2009								40,280	1,269,223
	08/17/2009						23,940	754,349		
	01/04/2010								45,110	1,421,416
	02/23/2010						22,310	702,988		

02/23/2010	133,860	29.145	02/21/2020

(1) The vesting schedule for all outstanding stock and stock options is as follows:

Grant Date	Grant Type	Vesting Schedule
06/27/2006	Restricted shares	Shares vest on 07/01/2011.
05/03/2007	Stock options	One-half of the shares under this performance-contingent stock option will vest only if the price of our common stock maintains a trading price of $38.11 for at least ten trading days during the ten-year term of the stock option award. The remaining one-half of the shares will vest only if the price of our common stock maintains a trading price of $41.43 for at least ten trading days during the ten-year term of the stock option award.
02/04/2008	Restricted shares	100% of award vests on 02/11/2011.
02/04/2008	Stock options	First tranche (33%) vests on 02/04/2009, the second tranche (33%) vests on 02/04/2010 and last tranche (34%) vests on 02/04/2011.
01/02/2009	Performance shares	100% of award vests on 12/31/2011, subject to the approval of the Human Resources and Compensation Committee and satisfaction of the performance criteria. Payment of the shares, if any, will be made in March 2012.
01/02/2009	Deferred stock units	100% of award vests on 01/02/2012.
02/20/2009	Restricted shares/ Deferred stock units	100% of award vests on 02/17/2012.
02/20/2009	Stock options	First tranche (33%) vests on 2/19/2010, second tranche (33%) vests on 02/18/2011 and last tranche (34%) vests on 02/17/2012.
08/17/2009	Restricted shares	First tranche (33%) vests on 08/17/2010, second tranche (33%) vests on 08/17/2011 and last tranche (34%) vests on 08/17/2012.
01/04/2010	Performance shares	100% of award vests on 12/31/2012, subject to the approval of the Human Resources and Compensation Committee and satisfaction of the performance criteria. Payment of the shares, if any, will be made in March 2013.
02/23/2010	Restricted shares/ Deferred stock units	100% of award vests on 02/22/2013.
02/23/2010	Stock options	First tranche (33%) vests on 02/22/2011, second tranche (33%) vests on 02/22/2012 and last tranche (34%) vests on 02/22/2013.

(2) The market value of the shares that have not vested is based on the closing price of our common stock of $31.51 on December 31, 2010, as reported on the NYSE.

2010 Stock Vested

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting[1] (#)**	**Value Realized on Vesting[2] ($)**
Rosenfeld, Irene			306,303	9,353,487
McLevish, Timothy			54,630	1,729,713
Khosla, Sanjay			67,257	2,042,957
Vernon, William			11,970	350,242

(1) The amounts shown include performance shares awarded under our 2008 2010 LTIP performance cycle, which ended on December 31, 2010.

(2) The amounts shown are calculated based on the closing market price of our common stock on the date of vesting, multiplied by the number of vested shares.

2010 Pension Benefits

Name	**Plan Name**	**Number of Years of Credited Service[1] (#)**	**Present Value of Accumulated Benefits[2] ($)**	**Payments During Last Fiscal Year ($)**
Rosenfeld, Irene	Kraft Foods Global, Inc. Retirement Plan	28.2	895,566	
	Kraft Foods Global, Inc. Supplemental Benefits Plan I	28.2	16,220,023	
	Kraft Foods Global, Inc. Supplemental Benefits Plan II	1.7[3]	1,080,901	
McLevish, Timothy	Kraft Foods Global, Inc. Retirement Plan	3.3	89,185	
	Kraft Foods Global, Inc. Supplemental Benefits Plan I	3.3	455,327	
Clarke, Michael	Kraft Foods Mobile Employee Retirement Plan	2.0	273,381	
Khosla, Sanjay	Kraft Foods Global, Inc. Retirement Plan	4.0	112,958	
	Kraft Foods Global, Inc. Supplemental Benefits Plan I	4.0	635,809	

(1) The years of credited service under the plans are equivalent to the years of total service for the named executive officers through December 31, 2010, unless otherwise noted.

(2) For Ms. Rosenfeld and Messrs. McLevish and Khosla, the amounts reflect the actuarial present value of benefits accumulated under the respective retirement plans, in accordance with the same assumptions and measurement dates disclosed in Note 11 to the consolidated financial statements contained in our Form 10-K.

The assumptions for each of the plans are as follows:

Assumes commencement at the earliest age that participants would be eligible for an unreduced pension benefit, which is age 62 for Ms. Rosenfeld and 65 for Messrs. Clarke, McLevish and Khosla. Present value amounts are discounted for current age;

Measurement date of December 31, 2010;

Discount rate of 5.6%; and

RP 2000 Mortality Table Projected to 2011.

For Mr. Clarke, the amount reflects the actuarial present value of benefits accumulated under our MERP.

The assumptions for this plan are as follows:

Assumes commencement at the earliest age that participants would be eligible for an unreduced pension benefit, which is age 65. Present value amounts are discounted for current age;

Measurement date of December 31, 2010;

Discount rate of 5.0%; and

1983 Group Annuity Mortality Table.

(3) Reflects the number of years of credited service, which includes an enhanced pension benefit that provides for additional credited service during the period between 2004 and 2006. The value of this enhancement at Ms. Rosenfeld s current compensation level is approximately $1,080,901.

Retirement Benefits

Both the qualified and supplemental retirement plans are generally offered to executive officers, including the named executive officers, and vary by country.

Kraft Foods Global, Inc. Retirement Plan

Beginning January 1, 2009, this program is not offered to newly hired U.S. employees. However, all eligible full-time and part-time U.S. employees hired before January 1, 2009, including Ms. Rosenfeld and Messrs. McLevish and Khosla, are covered automatically in our funded non-contributory, tax-qualified defined benefit plan. Mr. Vernon, hired after December 31, 2008, is not eligible for this program. Mr. Vernon, similar to all other U.S. employees hired after December 31, 2008, is eligible to participate in an enhanced defined contribution plan, which is described under 2010 Non-Qualified Deferred Compensation U.S. Supplemental Defined Contribution Plan below. Benefits under this plan are payable upon retirement in the form of an annuity or a lump sum (if the employee was hired before 2004). Normal retirement under this plan is defined as age 65 with five years of vesting service, at which point participants are eligible to receive an unreduced benefit. Vested participants may elect to receive benefits before age 65, but the amount is reduced as benefits are paid over a longer period of time. Participants must have at least five years of service to become vested.

The formula used to calculate a benefit is equal to the following:

1.3% of final average pay up to the Social Security covered compensation amount multiplied by years of service up to 30; plus

1.675% of final average pay in excess of the Social Security covered compensation amount, multiplied by years of service up to 30; plus

0.5% of final average pay multiplied by years of service in excess of 30. Final average pay is defined as the greater of (a) the average of an executive officer s salary plus annual bonus during the last 60 consecutive months of service before separation and (b) the five highest consecutive calendar years of salary plus annual bonus out of the last ten years prior to separation. Social Security covered compensation is an amount equal to the average of the Social Security taxable wage bases for the 35-year period that ends in the year the participant reaches age 65. (If you were born between 1938 and 1954, the 35 year average ends in the year you reach age 66. If you were born after 1954, the 35 year average ends in the year you reach age 67). The Internal Revenue Service has established certain limits on how much employees may receive from this plan.

As of December 31, 2010, Ms. Rosenfeld is eligible to retire under the Kraft Foods Global, Inc. Retirement Plan. Employees hired before January 1, 2004, with at least ten years of service, are eligible to retire under this plan at age 55. The benefits payable to employees eligible to retire before age 62 are reduced by 3% each year (maximum 20%) between age 62 and the year that the employee retires.

Kraft Foods Global, Inc. Supplemental Benefits Plan I

The Code limits the amount employees may receive from the tax-qualified pension plan. Therefore, we offer a Supplemental Defined Benefit Pension Plan and several named executive officers participate in this plan. Beginning January 1, 2009, this program is not offered to newly hired U.S. employees. However, all eligible full-time and part-time U.S. employees hired before January 1, 2009, including Ms. Rosenfeld and Messrs. McLevish and Khosla, may participate in this unfunded plan that provides for the difference between what would have been payable based upon the pension plan formula stated above absent the applicable Code limits and the amount actually payable from the Kraft Foods Global, Inc. Retirement Plan. Additionally, any eligible base salary and annual cash incentive deferrals made under the voluntary non-qualified deferred compensation plan are considered non-qualified earnings and are subsequently paid out under this plan regardless of whether or not the executive exceeds the applicable Code limits. Mr. Vernon, hired after December 31, 2008, is not eligible for this program. Mr. Vernon is eligible to participate in an enhanced defined contribution plan, which is described under 2010 Non-Qualified Deferred Compensation U.S. Supplemental Defined Contribution Plan below. As of December 31, 2010, Ms. Rosenfeld is eligible to retire under the Kraft Foods Global, Inc. Supplemental Benefits Plan I. Employees hired before January 1, 2004, with at least ten years of service, are eligible to retire under this plan at age 55. The benefits payable to employees eligible to retire before age 62 are reduced by 3% each year (maximum 20%) between age 62 and the year that the employee retires.

Kraft Foods Global, Inc. Supplemental Benefits Plan II Ms. Rosenfeld

Ms. Rosenfeld s employment offer letter provided her with credited service during the period she was not working for Kraft Foods between 2004 and 2006. This enhanced pension benefit was part of a broader incentive program designed to compensate Ms. Rosenfeld for the forfeiture of benefits at her prior employer, as well as to encourage her to return to Kraft Foods.

As of December 31, 2010, Ms. Rosenfeld is eligible to retire under the Kraft Foods Global, Inc. Supplemental Benefits Plan II. The benefits payable to Ms. Rosenfeld before age 62 are reduced by 3% each year (maximum 20%) between age 62 and the year that she retires.

Kraft Foods Mobile Employee Retirement Plan (MERP) Mr. Clarke

All eligible mobile employees working outside of the United States who are not citizens or resident aliens of the United States, including Mr. Clarke, may participate in the MERP with the approval of our management. The MERP is an unfunded and non-contributory benefit plan. Benefits under this plan are payable upon retirement in the form of a monthly pension or, under certain conditions, a lump sum. Normal retirement under this plan is defined as age 65 with 5 years of vesting service, at which point participants are eligible to receive an unreduced benefit. Vested participants may elect to receive benefits before age 65, but the amount is reduced as benefits are paid over a longer period of time. Participants must have at least five years of service to become vested.

The formula used to calculate a benefit is equal to the following:

1.75% per year of credited service multiplied by the final average pay

less

any offsets, i.e., local social security or company benefits.

Final average pay is defined as the highest annual average of the pensionable earnings over any 60 month period in the last 120 months of service.

2010 Non-Qualified Deferred Compensation

Name	Executive Contributions in 2010(1) ($)	Registrant Contributions in 2010(2) ($)	Aggregate Earnings in 2010(3) ($)	Aggregate Withdrawals/ Distributions in 2010 ($)	Aggregate Balance as of December 31, 2010(4) ($)
Rosenfeld, Irene	5,486,236	234,640	133,703		9,652,855
McLevish, Timothy	266,838	80,052	20,431		727,415
Clarke, Michael(5)					
Khosla, Sanjay	230,965	69,290	26,946		913,051
Vernon, William	47,908	71,862	2,067		121,837

(1) All executive contributions made in 2010 were under our U.S. Supplemental Defined Contribution Plan and our U.S. Executive Deferred Compensation Plan. Amounts deferred from base salary and from amounts paid in 2010 under the Annual Incentive Plan are included in the 2010 Summary Compensation Table. The amounts of executive contributions in 2010 attributable to base salary and incentive plan awards for the participating named executive officers were as follows: Ms. Rosenfeld $75,493 (base salary), $2,096,680 (Annual Incentive Plan award), $3,314,063 (cumulative three-year 2007 2009 LTIP award); Mr. McLevish $90,346 (base salary), $176,492 (Annual Incentive Plan award); Mr. Khosla $89,446 (base salary), $141,519 (Annual Incentive Plan award); and Mr. Vernon $30,964 (base salary), $16,944 (Annual Incentive Plan award).

(2) The amounts in this column are also included in the All Other Compensation column in the 2010 Summary Compensation Table.

(3) The amounts in this column are at market rates and are not reflected in the 2010 Summary Compensation Table.

(4) The aggregate balance includes amounts that were reported as compensation for the named executive officers in prior years. Amounts reported attributable to base salary, annual incentive plan awards or all other compensation that were reported in the Summary Compensation Table of previously filed proxy statements for the participating named executive officers are as follows: Ms. Rosenfeld $2,991,475; Mr. McLevish $348,366; and Mr. Khosla $561,967.

(5) Mr. Clarke is not eligible for the U.S. non-qualified deferred compensation programs.

U.S. Supplemental Defined Contribution Plan

Because the Code limits the amount that may be contributed to the tax-qualified defined contribution plan on behalf of an employee, we offer a Supplemental Defined Contribution Plan. Ms. Rosenfeld and Messrs. McLevish, Khosla and Vernon contributed to the Supplemental Defined Contribution Plan in 2010. This is an unfunded plan that allows eligible employees to defer a portion of their annual compensation (base salary and annual incentive awards) and receive corresponding Kraft Foods matching amounts to the extent that their contributions to the tax-qualified defined contribution plan (and the corresponding Kraft Foods matching contributions) are limited by Code Section 401(a)(17) or 415. Executives must defer receipt of the payments until retirement. Executive contributions and employer matching amounts earn the same rate of return as the Interest Income Fund, which is a market rate fund available to employees in the tax-qualified defined contribution plan. The rate of return under this investment fund in 2010 was 3.45%.

U.S. Executive Deferred Compensation Plan

The Kraft Foods U.S. Executive Deferred Compensation Plan is a non-qualified plan that allows our U.S. named executive officers to defer, on a pre-tax basis, up to 50% of salary and up to 100% of their annual and long-term cash incentives. The investment choices are similar to those offered to eligible employees in our U.S. 401(k) plan. Participants may elect to defer their compensation until

termination of employment or retirement. They may also elect to receive distributions of their accounts while still employed with Kraft Foods, but the plan requires a minimum deferral period of two years. Distributions may be made in a lump sum or in annual installments of between two and ten years.

Potential Payments upon Termination or Change in Control

The tables and narrative below describe the potential payments to each named executive officer upon termination. Other than the types of compensation and benefits described in the tables below or as would be received by all other salaried employees, no other payments are earned by or would be awarded to the named executive officers. In accordance with SEC rules, all information described in this section is presented as if a triggering event occurred on December 31, 2010.

Involuntary Termination Without Cause (Non-Change in Control Event)

We may provide separation pay and benefits to our employees, including the named executive officers, in the event of an involuntary termination without cause. In these circumstances, we have a separation pay plan in the United States that provides employees a payment equal to one month of salary for every year of service up to a maximum of 12 months, assuming at least five years of service.

Under the plan, an involuntary termination without cause is any company-initiated termination for reasons other than:

- continued failure to substantially perform the job duties, other than a failure resulting from incapacity due to disability;
- gross negligence, dishonesty or violation of any reasonable company rule or regulation if the violation results in significant damage to Kraft Foods; or
- engaging in other conduct that adversely reflects on Kraft Foods in any material respect.

These separation benefits are generally structured similarly to those benefits available to all other employees. The separation pay and benefits available to all employees are generally contingent upon Kraft Foods receiving a general release of claims from the employee. For executive officers, it is typical to use the separation pay and benefits practices in the applicable country as the basis for the pay and benefits.

On a case-by-case basis, we may provide additional pay and benefits to named executive officers in excess of the amount typically payable upon an involuntary termination without cause. These additional pay and benefits amounts would be compensation for receiving non-competition, non-solicitation, non-disparagement and confidentiality agreements from our named executive officers, in addition to a general release.

The typical elements of separation pay and benefits consist of base salary continuation, health and welfare benefits continuation and outplacement assistance.

Separation Pay. Separation pay to named executive officers is typically 12 months of base salary, except for the Chief Executive Officer, who typically receives 24 months of base salary, plus pro-rata target annual cash incentive. That amount may be increased, at the discretion of management, with the approval of the Human Resources and Compensation Committee, in consideration of the restrictive covenants described above. Separation pay amounts are typically paid as salary continuation. In some cases, amounts are paid in a lump sum.

In the event that separation pay is considered deferred compensation, subject to Section 409A of the Code, payments that would otherwise have been payable are withheld during the six-month period following termination of employment to comply with Section 409A. We then pay the amount, in a lump sum without interest, as soon as permitted under Section 409A.

Benefits Continuation. Named executive officers typically continue participating in the health and welfare benefits plans during the period in which they continue to receive a salary. If an executive officer receives separation pay in a lump sum, then his or her participation in the health and welfare benefits plans ends at the time of the lump sum payment. In addition, under our retirement plans, eligible named executive officers receive an additional one year of pension accrual, except for the Chief Executive Officer who receives an additional two years of pension accrual.

Additional Arrangements. In addition to the separation pay and benefits described above, in accordance with Ms. Rosenfeld s and Messrs. McLevish s, Clarke s, Khosla s and Vernon s employment offer letters, if any of them is involuntarily terminated without cause prior to the vesting of the restricted stock granted to them upon joining or rejoining Kraft Foods, as applicable, his or her individual restricted stock awards will continue to vest on the normal vesting dates. As of December 31, 2010, Ms. Rosenfeld s, Mr. Clarke s and Mr. Vernon s restricted stock granted to him or her upon joining or rejoining Kraft Foods had not fully vested.

Potential Payout upon an Involuntary Termination Without Cause at Fiscal Year-End 2010

Name	Separation Pay[(1)] ($)	Health & Welfare Continuation[(2)] ($)	Value of Unvested Restricted Stock Awards[(3)] ($)	Continuation of Benefits[(4)] ($)	Present Value of Additional Retirement Benefit Plans[(5)] ($)	Total ($)
Rosenfeld, Irene	3,030,000	457,352	7,117,605	66,667	1,240,824	11,912,448
McLevish, Timothy	750,000	19,383		22,500	169,593	961,476
Clarke, Michael	700,000	27,153	875,348	22,500	136,690	1,761,691
Khosla, Sanjay	740,000	16,240		22,500	189,303	968,043
Vernon, William	750,000	19,383	754,349	22,500		1,546,232

(1) For the named executive officers active as of December 31, 2010, the amounts reflect the following: two years of base salary continuation for Ms. Rosenfeld and one year of base salary continuation for Messrs. McLevish, Clarke, Khosla and Vernon.

(2) The amounts reflect two years of medical, dental, long-term disability and life insurance premiums for Ms. Rosenfeld, and one year of medical, dental, long-term disability and life insurance premiums for the other named executive officers. The amount also includes a retiree medical benefit with a present value of $420,000 for Ms. Rosenfeld as she would be eligible for retiree medical benefits at the end of the separation pay period.

(3) Per the terms of Ms. Rosenfeld s and Messrs. Clarke s and Vernon s employment offer letters, all unvested restricted stock or deferred stock units granted to them as sign-on equity awards will continue to vest on the scheduled vesting dates. The values of the restricted stock or deferred stock units are based on a December 31, 2010 closing stock price of $31.51.

(4) The amounts reflect the value of financial counseling and car allowances for two years for Ms. Rosenfeld and one year for the other named executive officers.

(5) The amounts reflect two years of additional pension accrual for Ms. Rosenfeld and one year of additional pension accrual for the other named executive officers.

Change in Control Arrangements

The key elements of the CIC Plan, including amendments, are provided in the table below.

Plan Element	Description
Definition of Change in Control (CIC)	Subject to certain exceptions, the occurrence of one of the conditions below: Acquisition of 20% or more of our outstanding voting securities; Changes to Board membership during any consecutive 24-month period that results in less than 50% of the current Board members elected to the Board; Our merger or consolidation with another company, and a) we are not the surviving company; or b) the other entity owns 50% or more of our outstanding voting securities; or Complete liquidation of Kraft Foods or the sale of all or substantially all of our assets.
Double Trigger for Payment of Separation Benefits under CIC Plan	Consummation of a CIC; and Termination of employment by Kraft Foods other than for cause, as a result of death or disability or by the executive officer for good reason, and the termination of employment satisfies the definition of a separation from service under Section 409A.
Definition of Cause	Continued failure to substantially perform the participant s job duties (other than resulting from incapacity due to disability); Gross negligence, dishonesty or violation of any reasonable rule or regulation of Kraft Foods where the violation results in significant damage to Kraft Foods; or Engaging in other conduct which adversely reflects on Kraft Foods in any material respect.
Definition of Good Reason	We take any other action that results in the following: Material reduction in job duties; Material reduction in compensation; Relocation beyond 50 miles; or Increased business travel.
Severance Amounts	Chief Executive Officer three times base salary plus target annual incentive; All other named executive officers two times base salary plus target annual incentive; Additional credited years of pension service and welfare benefits equal, in years, to the severance multiple within Section 409A standards;

	Continuation of financial counseling and car allowances for three years for the Chief Executive Officer and two years for the other named executive officers;
	Outplacement services up to two years following the CIC; and
	The foregoing benefits are subject to non-compete and non-solicit restrictive covenants.
Treatment of Incentive Awards	Awards under the Annual Incentive Plan and the LTIP are paid out in cash at target levels, on a pro-rata basis. This is a single trigger payment.

Plan Element	**Description**
Treatment of Equity Awards	Restricted stock and stock options only vest upon a CIC if the participant is terminated by Kraft Foods other than for cause or by the executive officer for good reason and the termination of employment satisfies the definition of a separation from service under Section 409A and occurs within two years following such CIC or if the acquiring entity does not assume the awards (double trigger).
Kraft Payment of Excise Tax	Chief Executive Officer we will gross up excise tax payable due to CIC severance; and For other eligible executive officers, we will gross up excise tax payable due to CIC severance only in the event that the resulting severance benefit equals or exceeds 110% of the Code Section 4999 limit. In December 2009, we amended the CIC Plan to terminate the excise tax gross ups for executives starting participation in the CIC Plan on or after January 1, 2010.

Potential Payout upon an Involuntary Termination Due to a Change in Control at Fiscal Year-End 2010

The table below was prepared as though each of the named executive officers had been terminated involuntarily without cause within a two-year period following a change in control on December 31, 2010. The assumptions and valuations are noted in the footnotes to the table.

Name	**Separation Payment(1) ($)**	**Long-Term Incentive Plan Award(2) ($)**	**Health & Welfare Continuation(3) ($)**	**Value of Unvested Stock Awards(4) ($)**	**Value of Unvested Stock Options(4) ($)**	**Present Value of Additional Retirement Plan Benefits(5) ($)**	**Continuation of Benefits(6) ($)**	**Excise Tax Gross Up(7) ($)**	**Total ($)**
Rosenfeld, Irene	11,362,500	4,611,173	476,028	19,704,274	5,366,591	1,551,951	125,000	6,458,948	49,656,465
McLevish, Timothy	2,850,000	1,274,369	38,766	2,725,930	1,211,571	339,185	70,000	1,374,464	9,884,285
Clarke, Michael	2,520,000	957,169	54,306						