

KRAFT FOODS INC
Form DEF 14A
April 02, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Kraft Foods Inc.

(Name of Registrant as Specified In Its Charter)

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

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- x No fee required.
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- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

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

THREE LAKES DRIVE
NORTHFIELD, ILLINOIS 60093

April 2, 2012

Dear Fellow Shareholder:

I am pleased to invite you to our 2012 Annual Meeting of Shareholders. We will hold the Annual Meeting at 9:00 a.m. CDT on Wednesday, May 23, 2012, 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 2011 financial and business performance.

We are once again mailing to our shareholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access these materials and vote online. We believe electronic delivery expedites the receipt of materials, while lowering costs and reducing the environmental impact of our Annual Meeting. If you receive a Notice of Internet Availability of Proxy Materials by mail, you will not receive paper copies of these materials unless you specifically request them. You may request paper copies to be sent to you in the mail by following the instructions on the Notice.

Whether or not you plan to attend the Annual Meeting, your vote is important and I encourage you to vote promptly. The Notice contains instructions on how to vote via the Internet or by calling a toll-free number. If you receive paper copies of the proxy materials by mail, you may also vote by signing, dating and mailing your proxy card or voting instruction form. 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 advance registration instructions.

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

Sincerely,

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KRAFT FOODS INC.

Three Lakes Drive

Northfield, Illinois 60093

NOTICE OF 2012 ANNUAL MEETING OF SHAREHOLDERS

TIME AND DATE: 9:00 a.m. CDT on Wednesday, May 23, 2012.

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

ITEMS OF BUSINESS:

- (1) To elect the 11 directors named in the Proxy Statement;
- (2) To hold an advisory vote to approve executive compensation;
- (3) To vote on a company proposal to amend the Amended and Restated Articles of Incorporation to change the company name;
- (4) To ratify the selection of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2012;
- (5) To vote on three shareholder proposals if properly presented at the meeting; and
- (6) To transact any other business properly presented at the meeting.

WHO MAY VOTE: Shareholders of record at the close of business on March 15, 2012.

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DATE OF DISTRIBUTION:

We mailed our Notice of Internet Availability of Proxy Materials on or about April 5, 2012. 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, 2011, our letter to shareholders and the proxy card on or about April 5, 2012.

Carol J. Ward

Vice President and Corporate Secretary

April 2, 2012

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY
MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS**

TO BE HELD ON MAY 23, 2012

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

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

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This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting.

ANNUAL MEETING

Time and Date	9:00 a.m. CDT on Wednesday, May 23, 2012
Place	North Shore Center for the Performing Arts in Skokie 9501 Skokie Boulevard Skokie, Illinois 60077
Record Date	March 15, 2012
Voting	Each share is entitled to one vote on each matter to be voted upon at the Annual Meeting.
Admission	You must register in advance in order to attend the Annual Meeting. Please follow the advance registration instructions described in Question 24 on page 89 of the Proxy Statement.

VOTING ITEMS

Item		Board Recommendation	Page Reference
Item 1	Election of 11 Directors	For all nominees	3
Item 2	Advisory Vote to Approve Executive Compensation	For	72
Item 3	Approval of Amendment to Amended and Restated Articles of Incorporation to Change Company Name	For	74
Item 4	Ratification of PricewaterhouseCoopers LLP as Auditors for 2012	For	76
Item 5	Shareholder Proposal: Sustainable Forestry Report	Against	76
Item 6	Shareholder Proposal: Report on Extended Producer Responsibility	Against	79
Item 7	Shareholder Proposal: Report on Lobbying	Against	81

Transact any other business that properly comes before the meeting

DIRECTOR NOMINEES

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Name	Age	Director Since	Occupation and Experience	Independent	Audit	Board Committees*		
						Finance	HRCC	GMPAC
Myra M. Hart	71	2007	Professor, Harvard Business School (Retired)	Yes	X			Chair
Peter B. Henry	42	2011	Dean, Leonard N. Stern School of Business, New York University	Yes				X
Lois D. Juliber	63	2007	Former Vice Chairman and COO, Colgate-Palmolive Company	Yes			Vice Chair	X
Mark D. Ketchum	62	2007	Former President and CEO, Newell Rubbermaid Inc.	Yes (Lead Director)	X			
Terry J. Lundgren	60	New Nominee	President and CEO, Macy's, Inc.	Yes				
Mackey J. McDonald	65	2010	Senior Advisor, Crestview Partners	Yes	X	X		
Jorge S. Mesquita	50	New Nominee	Group President New Business Creation and Innovation, The Procter & Gamble Company	Yes				

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Name	Age	Director Since	Occupation and Experience	Independent	Board Committees*			
					Audit	Finance	HRCC	GMPAC
John C. Pope	63	2001	Chairman, PFI Group, LLC	Yes		Chair	X	
Fredric G. Reynolds	61	2007	Former Executive Vice President and CFO, CBS Corporation	Yes	Chair	X		
Irene B. Rosenfeld	58	2006	Chairman and CEO, Kraft Foods Inc.	No				
Jean-François M. L. van Boxmeer	50	2010	Chairman and CEO, Heineken N.V.	Yes			X	X

* Audit Audit Committee; Finance Finance Committee; HRCC Human Resources and Compensation Committee; GMPAC Governance, Membership and Public Affairs Committee

EXECUTIVE COMPENSATION

Consistent with our shareholders' preference as indicated at our 2011 annual meeting, our Board has adopted a policy providing that shareholders vote annually to approve, on an advisory (non-binding) basis, the compensation of our Named Executive Officers as disclosed in the proxy statement. This vote is not intended to address any specific item of our compensation program, but rather to address our overall approach to the compensation of our Named Executive Officers as described in this Proxy Statement.

We believe that our executive compensation program is strongly aligned with delivering sustainable top-tier performance and reflects competitive practices for executive compensation. We designed our executive compensation programs to attract, retain and motivate superior executive talent, including our Named Executive Officers, who are critical to our success. Under these programs, we seek to align pay and performance by making a significant portion of our Named Executive Officers' compensation dependent on:

- (1) the achievement of specific annual and long-term strategic and financial goals; and
- (2) the realization of increased shareholder value.

Our Named Executive Officers are those individuals who served as our Chief Executive Officer and Chief Financial Officer during 2011 and our three other most highly compensated officers. Please read Compensation Discussion and Analysis beginning on page 31 and Executive Compensation Tables beginning on page 55 for additional details about our executive compensation programs, including information about our Named Executive Officers' fiscal year 2011 compensation.

COMPANY NAME CHANGE

We are asking our shareholders to approve an amendment to our Amended and Restated Articles of Incorporation to change our company's name from Kraft Foods Inc. to **Mondelēz International, Inc.** On August 4, 2011, we publicly announced our intent to create two independent public companies—a global snacks business and a North American grocery business—via a spin-off of the North American grocery business. Having determined that the Kraft name should remain with the grocery business, the Board sought and decided on a new name which it believes appropriately reflects the key attributes of the future global snacks business. The Board has adopted a proposed amendment to the Amended and Restated Articles of Incorporation to change the company's name and recommends that the amendment be approved by our shareholders. For more information, please see page 74 in this Proxy Statement.

AUDITORS

As a matter of good governance, we are asking shareholders to ratify the selection of PricewaterhouseCoopers as our independent auditors for 2012. We provide information on fees paid to PwC in 2011 and 2010 on page 22 of this Proxy Statement.

SHAREHOLDER PROPOSALS

In accordance with SEC rules, we include in this Proxy Statement three shareholder proposals (Items 5 through 7). The Board recommends a vote AGAINST each of these proposals for the reasons set forth following each proposal.

FREQUENTLY ASKED QUESTIONS

We provide answers to many frequently asked questions about the annual meeting and voting, including how to vote shares held in employee benefit plans, in the Q&A section beginning on page 83 of this Proxy Statement.

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ITEM 1. ELECTION OF DIRECTORS

Process for Nominating Directors

The Governance, Membership and Public Affairs Committee of our Board of Directors, which we also refer to in this Item 1. Election of Directors section as the Committee, is responsible for identifying, evaluating and recommending to the Board nominees for election at the 2012 Annual Meeting of Shareholders (and any adjournments or postponements of the meeting) (the Annual Meeting). The Committee relies on nominee suggestions from the directors, shareholders, management and others. From time to time, the Committee retains executive search and board advisory firms to assist in identifying and evaluating potential nominees. During 2011, the Committee retained Heidrick & Struggles to assist in the search and recruitment of directors, resulting in the Board's nomination of Terry J. Lundgren and Jorge S. Mesquita as director nominees 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 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 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 policy.

When determining whether to recommend a director for re-election, the 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 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 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. An employee director must resign from the Board upon ceasing to be a Kraft Foods officer.

Diversity

The Guidelines provide that the 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 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 Committee seeks broad experience in relevant industries, professions and areas of expertise important to our operations, including global business, manufacturing, marketing, science, finance and accounting, academia, law and government. The 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 effectively represent our business, shareholders, employees, business partners and consumers:

7 director nominees are current or former presidents or chief executive officers of large, complex enterprises;

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7 director nominees currently hold or held key positions at major consumer products or retail companies, including food and beverage companies;

3 director nominees have significant financial and accounting backgrounds;

2 director nominees are current or former professors at leading institutions;

3 director nominees are women, including the Chairman;

3 director nominees are living and working or have lived and worked outside the United States;

1 director nominee is African-American; and

the age range for the director nominees is 42 – 71.

Individual Skills and Experience

When evaluating potential director nominees, the Committee considers each individual's professional expertise and educational background in addition to the general qualifications. The Committee evaluates each individual in the context of the Board as a whole. The 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 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 Committee annually conducts evaluations of the Board, the Board's committees and individual directors that assess the experience, skills, qualifications, diversity and contributions of each individual and of the group as a whole.

The Committee regularly communicates with the Board to identify characteristics, professional experience and areas of expertise 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 brings to the Board strong critical thinking and verbal communications skills as well as a greater diversity of views and backgrounds.

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The following table highlights each director nominee's specific skills, knowledge and experiences that the 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
-----------------	------------------	-------------------	----------------------------	---	--	--