

Creating a more delicious world

OUR 2010 REPORT





Irene B. Rosenfeld
Chairman and
Chief Executive Officer

Ever since my first “job” selling Girl Scout cookies, I believed that business could be a force for good. Today, I know it is.

Business is a vital part of the success of most nations. From Chile to China. The United States to Ukraine. Well-run businesses contribute to society in so many ways: Providing jobs, creating robust supply chains, revitalizing communities, innovating solutions for some of the world’s toughest challenges, contributing to public coffers and delivering shareholder returns that enable further investment. But companies that can successfully and simultaneously balance the short- and long-term interests of the multiple constituents they serve can do the most good. They can, indeed, change the world for the better.

That’s one of the reasons I’m so proud to be leading Kraft Foods, where we say that “delicious is our difference.” Yes, our *products* taste delicious. But to us, it’s more than that. Delicious is also our corporate purpose...the mindset and spirit we apply to everything we do and how we do it. It’s also why we titled this report, “Creating a more delicious world.”

As a global food company, we can help raise people up—out of hunger, out of poverty, toward healthier lifestyles—through what we make *and* how we make it. Millions of times a day...in ways big and small...quite literally around the world, we’re doing just that. And we do it at multiple points in our supply chain...from our agriculture sourcing initiatives that have made us a leading purchaser of sustainable cocoa, coffee and cashews to our finished products, like *Biskuat* and *Tiger* fortified biscuits that help Indonesian moms ensure their kids get the right vitamins and minerals to grow to their full potential.

“Creating a more delicious world” is a lofty goal to be sure. But we make it achievable by taking a pragmatic approach. First, we focus our efforts where we can make the greatest difference. Our global priorities are food safety, health and well-being, and sustainability. Next, we agree on the goals, strategies and actions to achieve each priority.

Our goals, whether financial or philanthropic, are designed to be ambitious, but achievable. Our strategies are long term, spanning decades in some cases. But the targets we set to evaluate our progress are measured in increments of five years or less. That way, the same people who set the targets can also be



Irene Rosenfeld helps build a playground in Chicago's Washington Park, one of 13 playgrounds built as part of our partnership with KaBOOM! during Delicious Difference Week in 2010. During this week, nearly 25,000 employees in 56 countries engaged in community activities to help fight hunger and promote healthy lifestyles.

held accountable for delivering them. Finally, our actions focus on what we call the "Three Ps" for creating lasting change: Products, Policies and Partnerships. All three are important, but I want to elaborate a bit on Partnerships. Even though there is a lot we can do as the world's second-largest food company, many of the issues we're tackling are so big that we can only achieve lasting change when we work with others. So together with our suppliers, customers and consumers...with governments, multilateral organizations and nongovernmental organizations (NGOs)...we look for innovative ways to combine our inherent strengths and capabilities to achieve the kinds of significant change we all want—for ourselves, for our children and for generations to come.

In the following pages, I encourage you to take a look at what we're doing and what we've accomplished, on our own and in partnership with others around the world. This report covers both the legacy Kraft Foods and Cadbury businesses and summarizes our 2010 progress in the areas of highest societal interest.

We're not perfect, and we're not finished. But by focusing on what matters most and where we can make the biggest difference, I am confident we're on the right path. We're working to support healthier lifestyles and sustainable agriculture. Seeking solutions that, *by design*, benefit our business *and* our society. Working for outcomes that are sustainable and scalable. And sharing our progress and setbacks along the way. We can't do everything, but we are doing a great deal. We're proud of what we've accomplished and how it is helping consumers and communities around the world live more deliciously every day.

A handwritten signature in black ink that reads 'Irene B. Rosenfeld'.

Irene B. Rosenfeld
Chairman and Chief Executive Officer
Kraft Foods Inc.
May 2011

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Delicious @ Work Highlights

Since 1999 in the U.S. alone, we've helped provide more than

1 billion servings of food

to those in need

During the last five years, we've improved the nutrition profile of more than

5,500 products

In 2010, we reduced sodium in 340 North American products—removing nearly

3 million kilograms (6.5 million pounds) of salt

In 2010, women made up 35% of management worldwide.

43% of our salaried employees were women

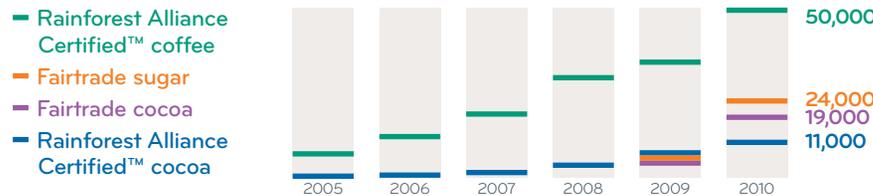
Today, we're helping to improve the livelihoods of more than

1 million farmers

through partnerships that support sustainable agriculture

Since 2005, we've significantly increased our purchases of certified coffee and cocoa (measured in metric tons)

Kraft Foods certified coffee and cocoa bean buying



We've cut

↓ 97 million kilometers*

(60 million miles) from our global transportation network

We've cut greenhouse gas emissions and energy use by

↓ 18%*

greenhouse gases

↓ 16%*

energy use

We've reduced our waste by

↓ 42%*

We've reduced water consumption by

↓ 30%*

We've cut our packaging by nearly

↓ 100,000 metric tons*

(200 million pounds)

*Data normalized to production with a 2005 baseline.



"INMED Partnerships for Children is proud to work with the Kraft Foods Foundation toward our shared goals to fight hunger and malnutrition, and to help youth put health into action. Together, we are creating hope and opportunity for the next generation, providing more than 100,000 of Brazil's most vulnerable youth with the foundation of knowledge and good health they need to transform their futures."

Linda Pfeiffer, Ph.D., President and CEO, INMED Partnerships for Children



"As the numbers of hungry increase, we need private companies like Kraft Foods to join us in the fight against hunger. It's a fight too big for any one player, but together we can find new ways to dramatically reduce malnutrition."

Josette Sheeran,
Executive Director,
World Food Programme



"Kraft Foods Foundation is helping to make nutritious food available in schools and communities to combat the high rates of malnutrition in young children. Families are also learning the skills they need to make healthy choices to improve the nutritional status of their children. The Foundation's impact will be felt for generations."

Charles MacCormack,
President and CEO, Save the Children



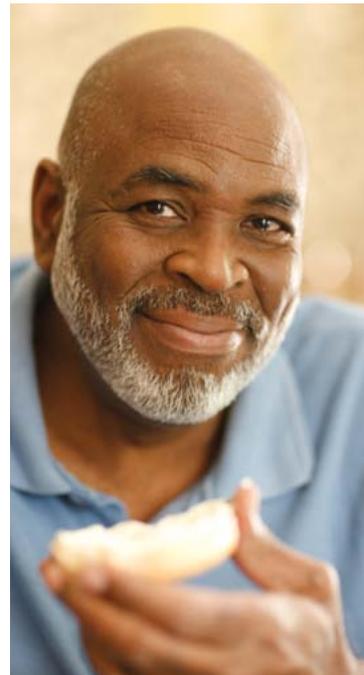
"We are all responsible for ensuring the long-term health of our planet. As the leading purchaser of coffee and cocoa from Rainforest Alliance Certified™ farms, Kraft Foods is doing its part by helping farmers earn a good living as they conserve wildlife habitats and the vital natural resources on which we all depend."

Tensie Whelan,
President,
The Rainforest Alliance



"CARE is pleased to be working alongside Kraft Foods to improve the lives of people living in poor communities. Through savings, education, entrepreneurship and innovative technologies, thousands of cocoa farmers are benefiting from more sustainable cocoa farming systems. Together, we are making a real difference in the lives of many rural families around the globe."

Helene D. Gayle, MD, MPH, President and CEO, CARE



"Soon, 9 billion people will seek to improve their lives in the context of a single planet. And every business in every industry will be forced to grapple with finding ways to meet their needs while using less water, carbon and land. We work with companies like Kraft Foods that are willing and able to influence the future of the planet by working to positively advance the way agricultural commodities are produced, bought and sold."

Carter Roberts, President and CEO, World Wildlife Fund, U.S.

"Kraft Foods' commitment to Fairtrade is helping to build a better future for many thousands of cocoa farmers, their families and their communities. Through this commitment, farmers can enjoy more secure, sustainable livelihoods. We look forward to building on this partnership to create a better future for even more farmers."

Rob Cameron, Chief Executive, Fairtrade Labelling Organizations (FLO) International



HEALTH AND WELL-BEING

HEALTH AND WELL-BEING:

EAT DELICIOUS,
LIVE WELL

Today, the world faces the paradoxical challenge of addressing both hunger *and* obesity. According to the **World Health Organization**, one in six people in the world doesn't get enough to eat. At the same time, one in five is overweight or obese.

Tackling such complex challenges requires a collaborative approach involving consumers, companies, governments and civil society.

So we take a three-pronged approach, combining our **Products, Policies** and **Partnerships**, so our cumulative efforts can help make a real difference.

Our focus is to make our brands—foods consumers love—nutritionally better and more wholesome, without compromising taste.

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Some of our 5,500 better choices worldwide:

Brazil: *Mini Philadelphia* cream cheese with 40 percent less sodium than the local *Requeijão* cheese.

Iberia: *Fruit & Fit* biscuits, made with 30 percent fruit and just 49 calories per biscuit.

Philippines: *Tang Frustration*, a powdered beverage mix fortified with a combination of vitamins and minerals found in fruit juices and needed by the population.

For more examples, see our [Health & Wellness Fact Sheet](#).

Products: Making the foods people love even better

Around the world, people eat and drink about 900 million servings of Kraft Foods products every day. That gives us an enormous opportunity to have a positive impact on consumers' health and well-being. So our focus is on making our products more nutritious and more wholesome, while still delivering the same delicious taste people have come to expect.

Based on what our consumers tell us they want, we focus our efforts on three areas:

- Foods with less fat, sodium, sugar and calories.
- Foods with more beneficial ingredients, such as whole grains, fiber, healthier oils and micronutrients.
- Foods that are "simpler:" easier-to-understand ingredient lines and fewer artificial ingredients.

Since 2005, we've reformulated or launched more than 5,500 products that meet one or more of these focus areas. Our goal is to continually grow the number of options in our portfolio that give consumers better choices for healthier and more wholesome foods. It's good for consumers and it's good for business.

REMOVING OR REDUCING NUTRIENTS CONSUMERS WANT LESS OF

SODIUM Much of the world's population is consuming too much sodium. While sodium reduction isn't new for Kraft Foods, in 2010 we began to accelerate our efforts to further reduce it in our products, without compromising taste or safety. This is a tough challenge for the entire food industry, but we feel good about our progress:

- In the U.S. and Canada, our largest and most diverse portfolios, we announced plans to cut sodium by an average of 10 percent by 2012 across the portfolio. In 2010 alone, we removed nearly 3 million kilograms (6.5 million pounds) of salt from 340 products. And we plan to reduce sodium in hundreds more products.

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- In Latin America this year, we initiated plans to reduce sodium by an average of 5 percent—equal to 227,000 kilograms (0.5 million pounds) of salt—across our biscuit and cheese lines by the end of 2012.
- In Europe, we continued our sodium reduction efforts with our *Dairylea* cheese lines, where we've reduced sodium by 30 percent since 2002.
- In Europe, since 2008, we reduced saturated fat by 54 percent in our *Prince* biscuits. We're also eliminating partially hydrogenated vegetable oils from our biscuits and exploring ways to reduce or limit these oils in other products worldwide.
- In Australia, we launched *Philadelphia* cooking cream, a dairy-based cooking product that has 60 percent less fat than regular cooking cream.

SATURATED AND TRANS FATS Heart disease is one of the leading causes of death worldwide. Research has shown that reducing saturated fats and trans fats may help to improve heart health. And we know our consumers look at the fat content of products when trying to make healthier choices. That's why over the years, we've been removing saturated and trans fats.

- In the U.S., we reformulated our 2 percent cheeses so that they taste just as good as full-fat cheese, and we launched our fat-free *Tassimo* Skinny Cappuccino.



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These are just some of the Kraft Foods brands where we've either lowered the sugar content or offer a sugar-free option.

SUGAR Consumers are also seeking products with less sugar, and health officials are encouraging people to eat less as well. So, we've taken action:

- In the U.S., we reduced the sugar in our *Capri Sun* juice drinks. We also introduced sugar-free *Jell-O Mousse* cups.
- In Latin America, we reduced the sugar in our *Tang* powdered beverages and we introduced several sugar-free products, including *Clight* powdered beverages.
- In Europe, we reduced the sugar in our *Belvita* biscuits by about 8 percent during the last four years.
- And globally, we offer sugar-free versions of *Halls* throat lozenges and *Trident* gums.

CALORIES Today, many consumers are looking for foods that are either lower in calories or come in portion sizes that can help them control their caloric intake. To meet this need, we offer a range of calorie- and/or portion-controlled options.

In Europe, we offer our *Belvita* biscuits in 100 calorie packs and our *Prince* biscuits now contain less than 100 calories per serving. We also sell *Cadbury Highlights*, a low-calorie drinking chocolate, with only 40 calories and less than 1 percent fat per serving. Throughout the U.S. and Canada, we have a wide variety of biscuits and cheeses in 100 calorie packages.

Kraft Foods is a founding member of the **Healthy Weight Commitment Foundation**—a multiyear effort launched in 2009 to help reduce obesity in the U.S., especially among children. As part of that commitment, we continue to develop and introduce lower calorie options of many of our brands. We've changed recipes where possible to lower the calorie content or reduced portion sizes of existing single-serve products. In 2010, the Foundation members pledged to reduce 1.5 trillion calories in their portfolios by the end of 2015, using 2008 as the baseline.

ADDING INGREDIENTS CONSUMERS WANT

We're not just removing ingredients consumers don't want; we're also adding more of what they do want.

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Here are some examples where we've increased whole grain content in our European biscuits.

WHOLE GRAINS Most consumers don't get enough whole grains. So we're finding new ways to increase the whole grain content of our products. Our researchers have developed a proprietary technology that enables us to use the whole germ of the grain. When we add whole grains to our products, we're now able to provide consumers with much more of what they want and need, while maintaining the taste they love.

- In the U.S., in 2010, we announced that we would double the amount of whole grains in our *Nabisco* cracker brands by 2013. When we're done, *Nabisco* crackers will account for 9 billion servings of whole grains in the American diet each year.
- In Latin America, we added whole grains to our popular *Trakinas*, *Belvita*, *Ceralitas* and *Club Social* biscuits.
- In the EU, we increased the number of our biscuit and crisp bread products that contain whole grains by 50 percent.
- And, in China, we launched the country's first whole grain biscuit, which provides 10 percent of the recommended daily amount of fiber in one serving.

ESSENTIAL VITAMINS AND MINERALS To help address malnutrition in developing markets, we offer foods fortified with micronutrients. We don't simply add the nutrients people need. We invest in technology that helps ensure that the nutrients we use can effectively and efficiently be absorbed by the body. And we price these products affordably so they are well within reach for millions of consumers with limited disposable income. Examples include:

- *Tiger* and *Biskuat* biscuits, sold in Indonesia, are fortified with nine vitamins and six minerals. Developed in collaboration with the **World Food Programme** and **The Indonesian Association of Nutritionists**, our biscuits supplement the daily nutritional requirements of a growing child, at an average cost of 100 to 500 Rupiah (between one and six cents U.S.) per pack.
- Globally, we fortify our *Tang* powdered beverage drink with Vitamin C and add other key nutrients specific to a country's needs—such as iron in Southeast Asia, Vitamin B-12 and folic acid in China, iodine in the Middle East, and Vitamins A and E in Argentina and Uruguay.

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DELICIOUS @ WORK

Few low-income families in Brazil have access to oral care. So by the time they are lucky enough to see a dentist, their conditions are often extreme.

That's where **Dentista do Bem** (Dentist for Good) comes in. Sponsored by *Trident* chewing gum since 2006, Dentista do Bem provides free dental services, including reconstruction and preventive treatment, to underprivileged children—until they reach the age of 18.

In 2010, 15,000 children received free dental care—and now are proudly showing their smiles.

Our affordable nutrition products have small price tags, but they are big business for us. That's why we chose to invest in expanded capacity. That way, we can bring more consumers more of the essential vitamins and minerals they need at prices they can afford.

HEALTHY SMILES People chew gum for a variety of reasons—to help relieve stress, to improve dental health and freshen breath, or to relax and enjoy a refreshing break. Research has shown there are many oral health benefits from chewing gum... especially if it's sugar-free ... and the **American Dental Association** and **World Dental Federation** agree. Just the physical action of chewing gum for at least 20 minutes after eating stimulates saliva flow, helping to prevent cavities by reducing plaque acids and strengthening teeth.

Today, more than 70 percent of our gum worldwide is sugar-free. In addition, our *Trident Xtra Care* and *Trident Total* sugar-free gums, available in several countries, contain the proprietary ingredient Recaldent. Research has shown that chewing a Recaldent-containing gum—versus a regular sugar-free gum—helps strengthen teeth by actively promoting tooth re-mineralization and protecting against tooth decay. People want healthy teeth and they want them to look good, too. Our sugar-free *Trident White* gum has been clinically shown to help

remove and prevent the formation of stains when used as part of a normal teeth-cleaning routine.

Policies: Leading in ways that make a difference

Nutrition awareness and education are critical to helping consumers make better choices about their health and well-being. Our marketing and communication policies are designed to ensure that consumers have clear nutrition information about our products.

ADVERTISING TO CHILDREN How we market our products matters. That's why we take great care to market and advertise responsibly—especially to children. In 2005, we became the first company to announce global policies for advertising to children*, with three main focus areas:

- We don't advertise to children under age 6 (long-standing policy).
- For children ages 6 through 11, we only advertise those products that meet specific **nutrition criteria**.
- We don't advertise in primary or secondary schools.

*In late 2010, the legacy Cadbury business began implementing these provisions and will be in full compliance by January 2012.

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“Market responsibly.”

Kraft Foods Code of Conduct, Rule 2

Our practices have become the model for how and what many other companies advertise to children. We were a founding member of the **International Food & Beverage Alliance**, and, along with other members, made a global commitment to the World Health Organization to advertise only products that meet specific nutrition criteria to children under age 12 and to monitor our efforts. We've made similar pledges in Australia, Brazil, Canada, India, Mexico, Russia, South Africa, Turkey, U.S. and all EU countries. Implementing pledges at the national level encourages local companies to follow our lead and to improve the types of products *they* advertise to children as well.

PRODUCT LABELING Since 2007, we've provided nutrition labeling on products worldwide.

Following the recommendations of the **Codex Alimentarius**, a set of globally recognized, widely used food standards, our labels provide information on calories plus seven key nutrients where space permits: protein, carbohydrates, sugar, fat, saturated fat, fiber and sodium. On very small packages and others with limited space, we list calories, protein, carbohydrates and total fat, per Codex recommendations.

Our labels list the amount of each nutrient in a given portion of the product and/or per 100 grams or milliliters, depending on local regulations. In most cases, our labels also include the percentage that each nutrient provides of the recommended daily value (DV), daily intake (DI) or **guideline daily amounts (GDAs)**—or the local equivalent where available.

We're also pursuing front-of-pack labeling that delivers meaningful information at a glance, and are increasing our front-of-pack labeling around the world. In Australia and the EU, we provide front-of-pack information on calories, based on the percentage of DI and percentage of GDA, respectively. In the U.S., we support **Nutrition Keys** a front-of-pack program, developed by the **Grocery Manufacturers Association** and **Food Marketing Institute**. And in Asia Pacific, we are currently exploring front-of-pack options with the broader food industry.

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Whether it's a hard-to-reach rural area or an urban neighborhood without a grocery store, the Kraft Foods Mobile Pantry program is making a difference for families living in the U.S. "food deserts."

In 2009, our company and Foundation pledged \$4.5 million over three years to Feeding America. The mobile pantry program is bringing more food—and better nutrition—to children and families who need it most.

In 2010, Kraft Foods also partnered on a cause-marketing program called *Huddle to Fight Hunger*. This national campaign raised awareness about hunger and led to 21 million meals being donated across America.

www.feedingamerica.org

We also provide nutrition information online and via toll-free consumer call centers. Our Healthy Living websites in several countries offer lifestyle tips and recipes. And in the U.S., our **Good Eating, Good Living** website provides information for people living with diabetes. We also provide this information in Spanish at our **comidakraft.com** website.

As we develop and assess our policies, we engage with other organizations. For example, we have participated in consultations with the World Health Organization on the subjects of sodium intake and advertising to children. In Brazil, we've facilitated conversations among our technology and nutrition teams and leading nutritionists and health professionals on local nutritional needs. In Europe, our biscuit research and development teams take part in global forums on whole grains with key nutrition and public health leaders, including the **European Nutrition Congress** and **HEALTHGRAIN Forum**.

And our own **Worldwide Health & Wellness Advisory Council** informs our work and helps guide our efforts in providing consumers with more choices to meet their needs in health and well-being.

Partnerships: Together we can make it happen

It takes all sectors of society to successfully fight global hunger, obesity and the underlying causes of malnutrition. So, in communities throughout the world, we're working with nongovernmental organizations (NGOs) that demonstrate they know how to make a real difference.

Our partnerships are built on a long history. And in 2009, Kraft Foods and its Foundation renewed their commitment, providing \$180 million of cash and food over three years to leading community organizations that help meet immediate needs and create long-term change. These partners work to give families a "hand up" rather than a "handout" by providing the nutrition education and economic empowerment to create lasting change.

Whether it's helping farmers grow and sell their cocoa crops or teaching families the fundamentals of good nutrition, together with our partners, we are providing the necessary tools that empower communities to successfully combat hunger and related health issues themselves.

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PARTNERSHIPS ON THE FRONTLINES OF FIGHTING HUNGER AND MALNUTRITION

Indonesia and Bangladesh rank fifth and sixth, respectively, for the highest rates of chronic child malnutrition. So in 2010, our company and Foundation entered a five-year public-private partnership with the World Food Programme to tackle the root causes of malnutrition. Called **Project Laser Beam**, our part of the program has three components:

- **Supporting local farming**—Given that nearly 75 percent of families facing hunger live in rural areas, often the most immediate solution is to support local agriculture. To that end, Project Laser Beam is helping to establish women-operated rural farms that grow vegetables and raise livestock. By giving women access to seeds, fertilizers and credit, we equip them to provide food for their families and offer a chance for long-term income.

“If women in rural areas had the same access to land, technology, financial services, education and markets as men, agricultural production could be increased and the number of hungry people reduced by 100–150 million.”

The State of Food and Agriculture, 2010–2011

www.fao.org

- **Empowering local food entrepreneurs**— We know that when women earn income, 90 percent of it gets reinvested into families. So to help break the cycle of poverty, we’re helping women operate mobile retail stores (bikes or carts) that sell nutritious foods, soap and agricultural supplies. This helps the women make a living while bringing needed products and supplies to their communities.
- **Encouraging lifelong healthy habits**— In addition to working with farmers and entrepreneurs, we’re also training community leaders to deliver nutrition education at schools and other places where families gather.

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DELICIOUS @ WORK

When Amy Abing came to Save the Children's gardening training in the Philippines, she seemed discouraged and malnourished. A single mother with a kidney ailment, she earns \$8 a month. Timidly, she said there were miserable days when she and her two children missed meals.

At the class, sponsored by the Kraft Foods Foundation, Amy learned how to plant and maintain an urban garden. From her small plot, she now feeds her two daughters and even has a little left over to sell to neighbors. "Nowadays, my children and I eat cooked rice with boiled vegetables dipped in vinegar with salt and sliced onions," she boasts.

www.savethechildren.org

Our Foundation has been working with **Save the Children** since 2009 to help malnourished families in Southeast Asia. Today, they're working in Indonesia and the Philippines to tackle malnutrition by teaching healthy eating and hygiene habits.

- **Indonesia:** With the help of Save the Children, the Foundation is working through a unique system of female volunteers who consider it a privilege to help other mothers and kids in their communities. Children and their moms are learning nutrition practices and taking those lessons home so the whole family eats better. And it's working. The government is expanding the program.
- **Philippines:** Our Foundation is also working to help mothers set up and maintain urban vegetable gardens. With very limited space, they use recycled plastic containers to grow local crops, such as pechay, kangkong and labanos. This program won the 2010 Asian Corporate Social Responsibility Award.

In **China**, since 2009, we've built 100 "**Kraft Hope Kitchens**" in five rural Chinese provinces in partnership with the **China Youth Development Foundation**. When we launched the program, surveys showed nearly 70 percent of students at these schools felt hungry during the day and more than 30 percent sometimes couldn't get enough to eat. The kitchens provide children hot, safely prepared foods. They provide teachers, parents and staff with new skills for nutritious cooking and safe food handling. By the end of 2010, we had helped thousands of children get hot, nutritious meals. More than that, we are giving them—and their villages—a start toward long-term health.

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PARTNERSHIPS PROMOTING
HEALTHY LIFESTYLES

Just as we're working with others to fight hunger, we're also partnering to help families get healthy.

- **U.S.:** Millions of Americans live in "food deserts," and many families must travel long distances to reach stores that sell fresh produce and other foods necessary to maintain a healthy diet. **The Food Trust** is our Foundation's partner to increase access to fresh foods at local supermarkets, with the aim of ultimately reducing the prevalence of obesity and other diet-related issues in underserved communities. The Food Trust advocates policies that bring new stores offering fresh foods to help build healthier communities. In 2008, we began working with the Food Trust in Illinois. And we're now expanding to four more states: Georgia, Massachusetts, Minnesota and Texas.

"38 percent of Hispanic kids ages 2 to 19 are overweight or obese, compared with 32 percent of other kids the same age."

Journal of the American Medical Association, 2010

www.ama-assn.org

- **U.S.:** Our Foundation works with **The National Latino Children's Institute (NLCI)** and the **YMCA of the USA (Y-USA)** to address the obesity epidemic among Latino children in the U.S. In 2002, we partnered with NLCI on a program called **Salsa, Sabor y Salud** ("Food, Fun and Fitness"). Created by Latinos for Latinos, this program engages whole families to eat healthier food and increase their physical activity. Now our Foundation is working with the Y-USA to expand *Salsa, Sabor y Salud* into 130 communities nationwide.
- **UK and Russia:** Childhood obesity is on the rise in both of these countries. In 2004, we launched an initiative in the UK with education experts called **health4schools**. It's an award-winning program that teaches children to grow vegetables, prepare healthy salads and play active games. After the UK launch, we quickly realized that Russian kids could benefit as well. So, our Foundation partnered with the **Charities Aid Foundation** to help families make smarter food choices and become more physically active. Health4schools has also enabled several Russian schools to upgrade cafeterias and purchase new gym equipment.

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DELICIOUS @ WORK

At a small school in Brazil, the play is the thing. Students producing a retelling of *Little Red Riding Hood* cast the Big Bad Wolf as a vegetarian who wanted to eat the vegetable garden.

One boy, normally shy and stunted from malnutrition, joined in like never before. His kinetic enthusiasm galvanized the class as he transformed into a natural leader.

"We were caught off guard by how strongly the Health in Action program with INMED Partnerships for Children hooked the kids to think about nutrition in a fun way," observed a member of our visiting team.

www.inmed.org

- **Brazil:** The country's most prominent charity helped us understand that malnutrition is pervasive in the *favelas* (urban slums) and remote rural regions of Brazil. Poor children don't have enough to eat and often get sick from parasites in the soil and water. With **INMED Partnerships for Children**, the Kraft Foods Foundation introduced a school-based health program that teaches children to grow fresh produce for their schools and the surrounding community. Moms are starting their own gardens and cooking healthier meals. And school food workers are learning about food safety and nutritious cooking. The program also supports low-cost, low-tech water purification, along with treatment for children with intestinal parasites and anemia.

Working toward the day when everyone can eat delicious and live well

Challenges don't come much bigger than global hunger and obesity. Solving them takes collaboration. We're doing our part by increasing the number of "better choice" options in our product portfolio to help consumers as they strive to eat better; following marketing and communications policies that help people make informed choices and understand how our foods fit into a balanced diet; and partnering with others to take action and get the results that enable lasting change. We'll continue working to help speed progress toward the day when everyone in the world eats delicious and lives well.

SUSTAINABILITY

SUSTAINABILITY: NOW AND FOR FUTURE GENERATIONS

“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

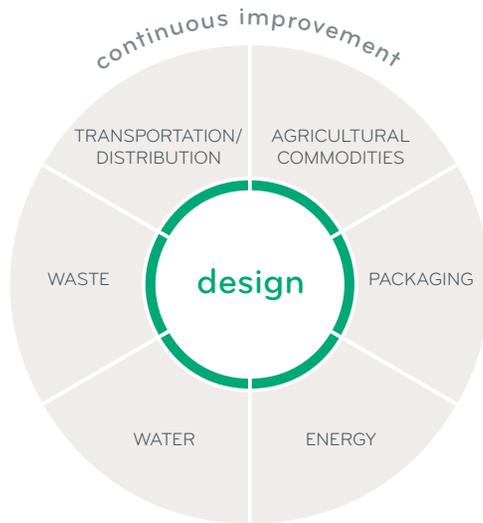
United Nations–sponsored Brundtland Commission Report

Sustainability is about conducting business in a way that is environmentally, socially and economically responsible. It's about living today, while being mindful of tomorrow.

The demands being placed on the planet are growing. Experts predict that the world's population will reach just about 9 billion by 2050. And standards of living are expanding in much of the developing world. These developments put incremental strain on the planet. In some areas, experts find that natural resources are being depleted faster than the earth can replenish them. Clean water and arable land are becoming scarce. Clearly, we must think and behave differently.

As a food company, Kraft Foods is dependent on the earth for the raw materials we use every day to make our products. We are changing the way we do business to become more sustainable. Given the size and complexity of the issues, we're partnering with others—peer companies, governments, NGOs, farmers, suppliers and consumers—to find innovative, scalable solutions.

SUSTAINABILITY



Six areas of focus

Sustainability is a strategic business priority for Kraft Foods. We focus on areas that matter most to our business and where we can make the biggest impact. Our “Sustainability Wheel” represents our focus areas and serves as our framework for building sustainability into everything we do. We use the wheel to measure and reward improvement. Our six areas of focus are: agricultural commodities, packaging, energy, water, waste and transportation/distribution.

In 2006, we set aggressive five-year goals*. In 2010, after integrating the Cadbury and LU businesses and looking to continuously improve upon our successes, we expanded our initial goals. For our 2011–2015 goals, we’ve added sustainable agriculture and transportation to what we’re measuring.

Sustainability Wheel

- Six areas of focus.
- Design in sustainability upfront.
- Continuously improve going forward.

By the end of 2015, using 2010 as our base year, we plan to*:

- Increase sustainable sourcing** of agricultural commodities by 25 percent.
- Eliminate 50,000 metric tons (100 million pounds) of packaging material.
- Reduce energy use in our manufacturing plants by 15 percent.
- Reduce energy-related carbon dioxide emissions in our manufacturing plants by 15 percent.
- Reduce water consumption in our manufacturing plants by 15 percent.
- Reduce waste at our manufacturing plants by 15 percent.
- Reduce 80.5 million kilometers (50 million miles) from our transportation network.

*Measured against total production

**“Sustainably sourced” defined as third-party certification or verification

SUSTAINABILITY



UNDERSTANDING OUR IMPACT

The more we can see and understand the potential impact our actions may have, the more effective our efforts can be. To improve upon what we've done, we seek third-party insight, which helps us evaluate our progress and determine where to improve or adjust.

A key advisor is **Environmental Resources Management (ERM)**, an independent global environmental management and technical consulting firm. ERM has verified the environmental performance indicators for our manufacturing facilities that we report in the following pages.

We also use environmental management systems in our manufacturing facilities worldwide. In 2010, **DNV**, a leading global registrar for ISO, certified that our systems met the requirements of **ISO 14001**, the premier international standard for environmental management. ISO 14001 provides a framework for continuous improvement within our facilities.

Cadbury plants, which we acquired in 2010, were not included in the current ISO 14001 certification. We are revising our environmental management systems to provide consistent standards for all our facilities.

SUSTAINABILITY

AGRICULTURAL
COMMODITIES

These Kraft Foods brands have product lines that carry Fairtrade or Rainforest Alliance certification seals.

The *Côte d'Or* chocolate business received the 2010 Rainforest Alliance Sustainable Standard-Setters award for its strong commitment to improve the environment and support local communities.

Our growing role in driving sustainable agriculture

For Kraft Foods, sustainability starts at the farm. Sustainable agriculture promotes the long-term viability of crops, the preservation of fertile soil, the economic well-being of farmers and farming communities, and the health of ecosystems. As one of the world's largest purchasers of cocoa, coffee, cashews and other commodities, we can influence the future of those crops and the communities that grow them. We're partnering with other companies, governments and NGOs around the world to increase our support of sustainable farming.

The crops we buy often tell a story of family farming. Whether it's coffee, cocoa, cashews or many of the other crops we buy, a large portion of them come from developing countries. And a variety of circumstances, such as political unrest, poor soil conditions, lack of infrastructure and more, contribute to the challenges faced by farmers. That's why we have supported farming communities and sustainable agriculture programs for years.

SUSTAINABLY GROWN FOR OUR CONSUMERS

Buying certified commodities is a powerful means of promoting sustainable farming, supporting farmers and enabling consumers to make informed choices. Our goal is to increase sustainable sourcing of agricultural commodities by 25 percent by 2015.

We're working to help bring more products to market that have sustainably grown ingredients. In a different way, certification addresses the three pillars of sustainability—social, economic and environment—by setting standards farmers must meet and helping them to command a premium for their crops. The ultimate goals of these standards include decent wages, access to health care and education for farming communities; reductions in water pollution, soil erosion and excessive pesticide use; and more. Smarter farming can lead to healthier farm communities and better quality crops.

SUSTAINABILITY



AGRICULTURAL
COMMODITIES



DELICIOUS @ WORK

Our Canadian confectionery team created The Bicycle Factory in 2009, to rally Canadians to send much-needed bicycles to the school kids in our cocoa-growing communities in Ghana to help increase their access to education.

The program is based on the simple notion that "small purchases can make a big difference for people in need."

Each Universal Product Code from any participating item entered at www.thebicyclefactory.ca turns into a virtual bike part. For every 100 virtual bike parts, one real bike gets sent to Ghana.

The campaign has delivered more than 9,000 bikes in 120 communities.

In 2010, we continued to be the largest buyer of coffee from **Rainforest Alliance Certified™** farms and the largest buyer of cocoa beans from **Fairtrade Certified** or Rainforest Alliance Certified farms. Here's how that support is making a difference:

- In 2010, our purchases of Rainforest Alliance Certified coffee helped support more than 430,000 farm workers and their families on more than 85,500 hectares (210,000 acres) in 12 countries in Africa, Central America, South America and Southeast Asia.
- We're helping farmers through the Cocoa Partnership, the £45 million (\$72 million), 10-year commitment to cocoa farmers in the Dominican Republic, Ghana, India and Indonesia launched by our *Cadbury* team in 2008.
- In Ghana, we've quadrupled the volume of cocoa sold under Fairtrade terms, resulting in £2.3 million (\$3.7 million) in Fairtrade social premiums. Communities have used the premiums to purchase mobile health clinics, farm equipment, farm-skills training and more.
- In the Daloa region of Côte d'Ivoire, one of the farm cooperatives we work with used a portion of its premium from selling Rainforest Alliance Certified cocoa to build a small health-care facility staffed by government-assigned health professionals. For the first time, farmers and their families can find local treatment for ailments, such as malaria, and mothers can deliver their babies close to home.

SUSTAINABILITY

AGRICULTURAL
COMMODITIES

DELICIOUS @ WORK

Other examples of partnering:

- In 2009, we joined the **World Economic Forum's** initiative called **New Vision for Agriculture**. The goal of the initiative is to define ways to provide food security for all in an environmentally sustainable way while generating economic growth.
- We are a founding member and financial supporter of the **4C Association**. This coalition of producers, trade, industry and NGOs aims to help farmers lower costs, improve quality and efficiency, and gain access to markets and credit.
- We've also joined the World Cocoa Foundation and **USAID** in creating a program called **ECHOES**, which strengthens cocoa-growing communities in Côte d'Ivoire and Ghana by training young people and teachers in vocational agriculture. Through ECHOES, we've helped train more than 5,200 students and more than 7,100 teachers.

For more examples, see **Nourishing Our Agricultural Supply Chain**.

THE POWER OF WORKING WITH OTHERS

Another way we support sustainable agriculture is by taking part in industry programs that boost development in commodity-producing communities. By collectively working with others, we can make a greater impact.

In early 2009, we joined industry, government and nongovernmental partners in two **Bill & Melinda Gates Foundation** initiatives that are investing \$90 million over five years to advance sustainable production of cocoa and cashews in West Africa.

- The **World Cocoa Foundation** manages the first initiative, called the **Cocoa Livelihoods Program**, and is providing \$40 million in cash and related support to increase the incomes of small-scale cocoa farmers in Cameroon, Côte d'Ivoire, Ghana, Liberia and Nigeria.
- **Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH** manages the second program, the **African Cashew Initiative**, which is providing about \$50 million in cash and other support to train producers in Benin, Burkina Faso, Côte d'Ivoire, Ghana and Mozambique.

By joining these Gates Foundation initiatives, we hope to help break the cycle of poverty for 200,000 cocoa farmers and 150,000 cashew farmers. And the results are starting to materialize. In 2010, we purchased 1,000 metric tons (2.2 million pounds) of cashews that were grown sustainably and processed in sub-Saharan Africa.

CULTIVATING A MORE RESPONSIBLE
AGRICULTURAL SUPPLY CHAIN

Many crops we buy come from areas faced with political issues or traditions that are not in line with our sourcing standards. In order for us to source in a way that meets our standards, we work with others to address such concerns as:

COCOA LABOR ISSUES Kraft Foods is involved in substantial efforts to address forced labor and the worst forms of child labor in **cocoa farming**. While we don't own or control any farms, we have worked since 2001 with the governments of the Côte d'Ivoire, Ghana and the U.S., and our peer companies, to enhance education, support economic development and promote responsible labor practices.

SUSTAINABILITY

AGRICULTURAL
COMMODITIES

DELICIOUS @ WORK

In France, we're sourcing wheat in a more integrated way to reduce the environmental impact of farming.

We're using local and sustainably sourced wheat for *LU* biscuits. Nearly 700 farmers follow special practices growing 8,000 hectares (20,000 acres) of wheat to limit their environmental impact. Farmers have reserved parts of their fields for bee-friendly flowers to help support one million bees—encouraging pollination and biodiversity for future generations.

PALM OIL AND DEFORESTATION Palm oil is used in a large variety of products worldwide and demand is growing. That demand, combined with uncontrolled harvesting and production practices that some producers employ, is contributing to deforestation in the tropics.

We support the goals and efforts of the [Roundtable on Sustainable Palm Oil \(RSPO\)](#) and we buy from its members.

Our palm oil purchases amount to less than 0.6 percent of worldwide production. In 2010, we began buying [GreenPalm](#) certificates covering more than 25 percent of our palm oil purchases. GreenPalm is an RSPO-endorsed certificate-trading program that provides incentives to producers whose plantations conform to its criteria. We also purchased segregated certified palm oil. Using this year's purchases as a guide, we expect to be able to cover 100 percent of our purchases once the supply of certified palm oil accounts for about one-third of the world's total supply. We expect our suppliers to reach this goal by 2015.

ANIMAL WELFARE We understand that there is concern about the [welfare of animals](#) raised for food. We expect our facilities and those of our direct suppliers that handle live animals to meet all government regulations and industry standards on animal welfare.

In the U.S., we adhere to science-based standards developed by trade organizations like the [American Meat Institute](#), [National Turkey Federation](#), [United Egg Producers](#) and [National Chicken Council](#). Direct suppliers must demonstrate compliance through annual audits conducted by a third party. In the EU, our suppliers have to comply with established animal welfare regulations as a condition of exporting goods to these countries.

The welfare of egg-laying hens is a concern for some consumers and customers. This year in the U.S., we will purchase one million eggs from cage-free facilities. In the EU, we are transitioning away from battery cage eggs in accordance with regulations banning the use of conventional cage systems by 2012.

SUSTAINABILITY



PACKAGING



DELICIOUS @ WORK

Kenco coffee refill pouch

97 percent less packaging compared to the glass jar, formerly the product's sole container.

Oscar Mayer Deli Creations

30 percent less paperboard; eliminating 544 metric tons (1.2 million pounds) of packaging.

Milka chocolate bars

60 percent less packaging weight from fewer layers; saving 2,600 metric tons (5.7 million pounds) in Europe and rolling out the process in Latin America.

Smarter packaging

Packaging is one of the first and last experiences consumers have with our products. That's why we've taken a comprehensive approach to packaging—one that cuts waste, conserves natural resources and gives users a more satisfying experience.

Between 2005 and 2010, we cut nearly 100,000 metric tons (200 million pounds) of packaging from our supply chain. We're working to eliminate another 50,000 metric tons (100 million pounds) by 2015. Reductions like the 20 percent we cut from packaging for *LU Le Petit Ecolier* biscuits in France in 2010 are helping us on our way.

Key to our reduction in packaging is our Packaging Eco-Calculator™. It's a tool we invented to help our packaging developers create more efficient, sustainable solutions based on data from the U.S. Environmental Protection Agency, the U.S. Department of Energy and packaging industry groups. The Eco-Calculator figures the percentage of

post-consumer recycled material in a given package design, along with the amount of energy and carbon dioxide emissions required to create the package. The Eco-Calculator also tells packaging designers how efficiently they're using materials and how well their designs will fit our products' physical dimensions. The tool is used along with other business practices, like economic assessments and ability to manufacture, in deciding a final design.

Examples of other recent packaging reductions, based on annual totals, include:

- **U.S.:** Instant *Maxwell House* coffee jar material change—6,500 metric tons (14.4 million pounds).
- **U.S.:** *Planters* peanuts shipper reduction—1,225 metric tons (2.7 million pounds).
- **Central and Eastern Europe, Middle East and Africa:** *Tang* powdered beverage can material change—500 metric tons (1.1 million pounds).
- **EU:** *Lacta* chocolate tablets film layer reduction—145 metric tons (320,000 pounds).

SUSTAINABILITY



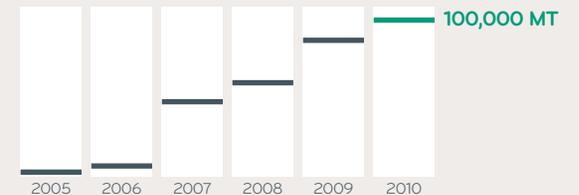
Besides improving the design in some of our packaging, we're also using more sustainable materials. In North America, the majority of people can recycle more than 70 percent (by weight) of our packaging. Most is made from paper, a renewable material.

For consumers, governments and trading partners, having a universally accepted definition for sustainable packaging—along with metrics to measure progress—is important. That's why we're co-leading **The Consumer Goods Forum's Global Packaging Project** with the aim of arriving at a common definition of sustainable packaging and consistent metrics.

RECYCLING Packaging has little benefit if consumers don't recycle. To increase recycling rates, we're using more recycled content in much of our packaging and partnering with others on education campaigns.

In 2008 and 2009, we were the official food sponsor of **Recyclebank®**, a company that rewards consumers for recycling. Currently, our *Back to Nature* brand is participating in the **Recyclebank Partners in Purpose** campaign, which aims to educate consumers on how to make smarter, greener shopping choices. We're also collaborating with industry packaging organizations in Australia, Europe, Latin America and elsewhere to boost recycling rates.

Global Packaging Reduction
Weight (MT) Eliminated Since 2005



SUSTAINABILITY

**DELICIOUS @ WORK**

Our manufacturing plants account for 92 percent of our electrical consumption. By reducing electricity use, we save fossil fuel burned to generate power and the resulting greenhouse gases.

Reducing energy to help combat climate change

In light of concerns over climate change, we're looking across our supply chain at what's directly and indirectly under our control. To address our direct impacts, we monitor manufacturing and our transportation fleet. For our indirect impacts, we focus on our agricultural commodity purchases and transportation operations. Applying a pragmatic approach allows us to concentrate on areas we need to understand better and where we can be most effective.

From 2005 to 2010, we reduced our energy use by 16 percent and our energy-related carbon dioxide emissions by 18 percent. By 2015, we're aiming to reduce our energy use and energy-related carbon dioxide emissions by an additional 15 percent each. We're making progress by changing our operations, improving facilities and training employees to modify their behavior. We're also investing in new technologies for lighting, heating, refrigeration, processing and packaging.

In addition to reducing energy consumption, we're also eliminating our use of chlorofluorocarbons (CFCs) and hydrofluorocarbons (HFCs), which have been linked to global warming and deterioration of the ozone. By the end of 2010, we met our goal to eliminate CFCs. And, we're making great progress toward our goal to eliminate HFCs by 2020.

In 2010, we joined our fellow board members in supporting [The Consumer Goods Forum's resolutions to fight climate change](#) by addressing deforestation and promoting sustainable refrigeration. We resolved to do our part in achieving the Forum's goal of assisting countries to achieve net-zero deforestation.

In December 2010, we signed the [Cancun Communiqué on Climate Change](#), which builds on the progress of the [Copenhagen Communiqué](#), that we joined in 2009. Like its predecessor, the Cancun Communiqué aligns directly with our view that the United Nations climate framework agreement makes sense for society generally and will ultimately benefit our business.

SUSTAINABILITY



DELICIOUS @ WORK

Known as the Lightcube, our building in Zurich is one of our most energy-efficient facilities. It uses less energy—50 percent for lighting and 60 percent for ventilation—than comparably sized facilities.

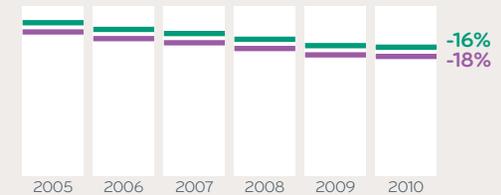
FINDING INNOVATIVE SOLUTIONS FOR OUR ENERGY NEEDS

One way we're reducing the percentage of fossil fuels we consume is by tapping into alternate energy sources. Sometimes a viable source exists right in our factories. For example, at our Lowville, New York, U.S., plant, we've discovered that by treating whey, a natural by-product of cheese-making, in an anaerobic "digester," we can produce enough methane to replace about 30 percent of the natural gas the plant uses annually. Reclaiming whey eliminates the need for disposal, saving diesel fuel and carbon dioxide emissions. It also results in cleaner wastewater. We're exploring ways to convert whey to energy across our dairy-products network.

At some of our plants, we're exploring different ways to save energy generated from fossil fuels and implement innovative solutions. Some factories are using coffee grounds to generate energy, while our plant in Induri, India, uses *bagasse*, the waste from the local sugar industry. We're reclaiming oven heat and using solar energy to heat water. We're experimenting with wind turbines on factory roofs and improving control of our utilities. And we're simply remembering to turn off the lights.

We invest in energy savings in our office buildings and distribution centers, too. In 2009, our corporate headquarters campus in Northfield, Illinois, U.S., earned the **Energy Star** rating from the U.S. Environmental Protection Agency. Elsewhere, several of our buildings in Australia, Brazil, the Philippines and Switzerland also have strong efficiency records.

Global Manufacturing Energy Consumption (gj/ton) and CO₂ Emissions (kg/ton)
% Change Since 2005



— Global manufacturing energy consumption
— CO₂ emissions

SUSTAINABILITY



DELICIOUS @ WORK

Looking to reduce water use at our *Vegemite* spread plant in Port Melbourne, Australia, the team consolidated manufacturing processes and made innovative changes. The results:

- 58 percent reduction in water needs.
- 52 percent decrease in energy consumption.
- More than 65 percent elimination of wastewater discharge.
- Recovered and treated wastewater streams for use in building local roads, saving about one million liters (264,200 gallons) of potable water per month.

Watching our water use

A growing global population is making more demands on the planet’s water supply, so conservation is needed around the world.

We’ve reduced water consumption in our manufacturing facilities by 30 percent since 2005. With a goal to reduce water use an additional 15 percent by 2015, we’re reusing it, improving processes, maintaining equipment and educating employees.

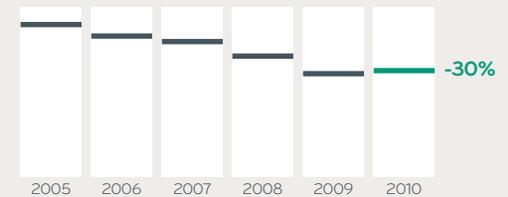
We’re working with global experts to estimate the amount of water used in our factories, as well as the “water footprint” of the ingredients and packaging materials we purchase and the water used in our factories.

Other examples of how we’re conserving and reusing water around the world:

- At our Ringwood plant in Melbourne, Australia, we’ve installed a rainwater harvesting system and use the captured rainwater in our boilers and cooling towers. When we have more than we can use, we supply a neighboring school with water to irrigate its playing field.

- Our Puebla, Mexico, plant treats its wastewater on site and supplies the local authorities with clean water—free of charge—for irrigating the city’s green spaces.
- We treat the wastewater from our Chirk, UK, plant on site and reuse it in boilers, cooling towers and other ways that do not bring the water into contact with food. As a result, we’ve reduced freshwater consumption at Chirk by 20 percent.
- At our Cieszyn, Poland, facility, we’ve reduced water use by 39 percent since 2005 through continuous improvement efforts.
- We reduced water at our Hemelingen, Germany, plant in 2009 by 19 percent compared with the previous year through improvements to the cleaning process.

Global Manufacturing Water Consumption (m3/ton) % Change Since 2005



SUSTAINABILITY



DELICIOUS @ WORK

We have 26 plants in nine countries that have hit zero waste-to-landfill status.

- | | |
|--|---|
| Austria
Bludenz
Vienna | Germany
Berlin
Donauwörth
Elmshorn
Fallingbostel
Hemelingen
Holzhafen
Lörrach |
| Belgium
Halle
Herentals | Norway
Oslo |
| Canada (Ontario)
East York
Mississauga
Oakville
Scarborough | Sweden
Gavle |
| France
Cestas
Laverune
Toulouse | Switzerland
Bern |
| | United States
Allentown, PA
Fair Lawn, NJ
New Ulm, MN
Philadelphia, PA
Suffolk, VA |

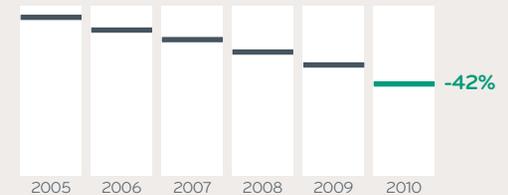
Redefining waste

We've reduced net waste from our manufacturing plants by 42 percent from 2005 levels. By 2015, our goal is to reduce waste by an additional 15 percent. Our strategy is simple: Generate less waste and find new uses for the waste we do produce.

Solid waste generated from manufacturing accounts for more than 99 percent of our total waste. We recycle or reuse about 90 percent of our manufacturing waste. In some cases, we're using manufacturing by-products as energy sources.

In 2007, we launched a pilot program with **Sonoco**, a global packaging and recycling company, to substantially reduce waste in our plants. Our objective: to send zero waste to landfills.

Global Manufacturing Waste Generation (kg/ton)
% Change Since 2005



SUSTAINABILITY



These Kraft Foods brands participate in the TerraCycle™ program.

TURNING TRASH INTO USEFUL PRODUCTS

Seventy percent of our North American packaging is recyclable. For the remaining 30 percent that can't be recycled, we're working to find alternatives to address its end of life. One alternative is to use it a second time, or upcycle. In 2007, we partnered with TerraCycle™, a company that collects post-consumer and post-industrial packaging and turns the waste into merchandise.

The system uses collection brigades that are typically run out of community centers, schools and youth groups. Kraft Foods compensates the collection teams for each package they collect and send in.

Today, Kraft Foods is the largest sponsor of TerraCycle, supporting the organization in Argentina, Brazil, Canada, Ireland, Mexico, Sweden, the UK and the U.S. with more than 85,000 brigades and an estimated 12 million people collecting waste worldwide.

As a result of their efforts, brigades received approximately \$1.6 million in charitable donations in 2010. The organizations use the money they receive to buy equipment and supplies or donate it to their charities of choice.

We also send post-manufacturing waste to TerraCycle. That post-manufacturing waste, combined with what the brigades collect, has enabled us to keep nearly 3.7 metric tons (8,100 pounds) of waste from 800 million packages from going to landfills.

SUSTAINABILITY

TRANSPORTATION/
DISTRIBUTION

DELICIOUS @ WORK

As members of the U.S. Environmental Protection Agency's SmartWaySM Transport Partnership, we've reduced truck idling, lowered our corporate speed limit and equipped our trucks with fuel-saving technology. We've also adopted other strategies that enable our trucking operations and those of our freight carriers to use less fuel and emit fewer greenhouse gases.

In 2009, we were one of just five consumer products companies to earn the SmartWay Excellence Award.



www.epa.gov/smartway

Moving products more efficiently

Improving our global transportation and distribution network so that we move products and raw materials more efficiently saves truck fuel, cuts carbon dioxide emissions and reduces traffic. Since 2005, improved internal processes, along with our collaborations with customers and suppliers, have eliminated approximately 97 million kilometers (about 60 million road miles). By 2015, our goal is to eliminate another 80 million kilometers (50 million road miles) from our global transportation network.

Sometimes the answer is literally right under our feet, as in our underground refrigerated-storage facility built into the natural limestone caves at Springfield, Missouri, U.S. Not only do the naturally cool caves require 65 percent less energy than conventional storage facilities, their large size and central location enable us to consolidate inventory and transport our products to our customers more efficiently. That's an annual savings of 680,000 liters (180,000 gallons) of fuel, 1,800 metric tons (4 million pounds) of carbon dioxide emissions and more than 1.6 million kilometers (one million miles) of truck travel.

Another solution is to use alternative modes of transportation. By shipping wheat to our Toledo, Ohio, U.S., facility by waterway rather than road, we've replaced 10,000 truck shipments that have cut nearly 2,000 metric tons (4 million pounds) of emissions. In Brazil, in just six months of shipping by water, we cut 125 truck shipments—390,000 kilometers (242,000 miles) and 300 metric tons (more than 600,000 pounds) of carbon dioxide emissions.

The right technology makes a difference. We're using the **Oracle**[®] Transportation Management system to optimize truck movements and reduce "empty miles" in our U.S. operations. Similarly, the AutoVLB software from **Transportation/Warehouse Optimization** enables us to improve payload by configuring loads with a mixture of heavy and light products, eliminating more than 9,000 truck shipments and 9.6 million kilometers (6 million miles).

SUSTAINABILITY

BEING MORE TRANSPARENT IN OUR EFFORTS

It's important to do the right things for current and future generations. It's equally important to show what we're doing. That's why we participate in internationally recognized indices.

As an example, we've been a part of the **Carbon Disclosure Project (CDP)** since 2005. From the beginning of our participation, we have formally reported Scope 1 and Scope 2 emissions. In 2009, we began reporting on a portion of Scope 3. Cadbury, which we acquired in 2010, had also reported to the CDP since 2005, appearing regularly in its leadership index. In 2010, we submitted a combined report to the CDP that included emission data from both legacy Cadbury and Kraft Foods. Our carbon-emissions profile is available on the CDP website.

In 2010, we were recognized for our efforts to reduce energy consumption and carbon emissions in two important ways. First, the Carbon Disclosure Project listed us in its 2010 Carbon Disclosure Leadership Index for the first time, ranking us among the top-scoring 10 percent of Global 500 and S&P 500 companies that report emissions to the CDP. We're the only U.S.-based food company to be listed on the global index, which recognizes

companies that demonstrate good internal data management practices for understanding greenhouse gas emissions, including energy use.

In 2010 we were listed on the **Dow Jones Sustainability World Index** for the fifth straight year, the **Dow Jones Sustainability North America Index** for the sixth year and listed as a CII Leader by **Maplecroft Climate Innovation Indexes (CII)**, placing us in the 100 top-performing companies in Maplecroft's benchmarking of the largest 350 U.S. companies.

Focusing on sustainability

We all have a role to play in caring for people, land and resources that touch our daily lives. We can't do everything. But we can work to make a difference in the areas where we're big and that are big to us. And that's why we've taken a strategic approach to our sustainability efforts.

Our accomplishments to date are increasing sustainable sourcing of agricultural commodities, cutting packaging materials, reducing energy and water use, finding new productive uses for our waste and smarter distribution of our products. Every step, no matter the size, is a step in the right direction. Can a company do well by doing good? We say yes!

FOOD SAFETY AND QUALITY

FOOD SAFETY AND QUALITY:
BETTER PRACTICES
DELIVER THE BEST
RESULTS

“Make food that is safe to eat.”

Kraft Foods Code of Conduct, Rule 1

Providing food and beverage choices that are safe is paramount to our success. It's the core of our heritage and an essential part of our culture. Maintaining trust means offering quality products that people can rely on and feel good about serving to their family and friends.

Setting and ensuring others
follow high standards

We employ a comprehensive, quality chain management system to ensure that our food is safe. It's based on **ISO 9001:2000**, an internationally recognized family of quality management standards. In addition, we supplement the ISO standards with safety and quality standards developed specifically for our business. We also work with governments and industry partners around the world to share learnings because we know that all food safety issues, even when they are not ours, can shake consumer trust.

For example, several years ago, we announced a new ingredient technology that helped inhibit the growth of *Listeria* in cooked meats. To expedite industry knowledge and use of this food safety innovation, we shared the technology with the meat industry and published the information to make it widely available.

FOOD SAFETY AND QUALITY

DELICIOUS @ WORK

Driven by our philosophy of continuous improvement, we regularly look at ways we can improve our supply chain to strengthen food safety.

Recently, we began a program to periodically screen select raw materials for potential chemical contaminants. We do this across the supply chain worldwide. Ingredient samples are tested on a scheduled basis and analyzed by a Kraft Foods-approved lab. Suppliers cannot ship the ingredients to our facilities until test results confirm that they meet our specifications.

Similarly, in 2010, Kraft Foods led an industrywide initiative to create and publish guidance for the safe production of nuts and made it available to nut suppliers and producers.

Our quality management system helps employees, suppliers and distributors around the world understand our standards and expectations. We offer approximately 70 employee education programs, covering topics from sanitation to allergen control to packaging design.

As a global leader in food safety, we have well-defined safety and quality expectations for our suppliers worldwide and, before we use ingredients or raw materials, we have an audit conducted of their facilities to make sure they meet our Supplier Quality Expectations.

These suppliers are audited every one to three years thereafter by Kraft Foods or third-party auditors, based on risk. If a supplier handles food at a higher risk for contamination, or if quality control is more challenging, our staff

will visit the site. Otherwise, we may work with third-party auditors. In all cases, it's critical that the auditors are properly trained, managed and adhere to a common set of criteria.

Suppliers that fall short of our standards must take prompt, verified corrective action. If they don't, we stop doing business with them until they raise their standards to meet our requirements.

Equally as important as audits are our tools and programs for helping suppliers improve their food safety and quality systems. We hold "lessons-learned" sessions, offer food safety and quality forums, and provide on-site quality consultations.

Over the last two years, we've hosted numerous Supplier Quality and Food Safety forums covering Asia, Central and Eastern Europe, European Union, Middle East and Africa, and North America. We plan to continue these sessions.

FOOD SAFETY AND QUALITY

**DELICIOUS @ WORK**

We've helped build better food production infrastructure in Kyrgyzstan and developed products for Benin. We've expanded the offerings at a Vietnam cooking school for low-income consumers, helped to improve and extend safe distribution in Vanuatu, and helped an Ecuadorian charity raise money by selling artisan chocolates.

Since 2001, we've sent more than 175 Kraft Foods scientists, engineers and other experts on 60 "missions" with the United Nations Volunteers programme. Our employees shared their expertise with nonprofits and small businesses focused on sustainable agriculture, food production and community development.

www.unv.org

Taking action when needed

Despite our vigilance, threats to safety and quality may arise. When something goes wrong, we respond quickly. Our Special Situations Management Teams—senior-level managers from across the company who have experience in handling these types of situations—take immediate steps to protect consumers when there is a food safety issue. We have an early-alert system and processes to fast-track information to our internal quality and consumer managers, as well as our Special Situations Management Teams. Through training, employees in our manufacturing plants know exactly what steps to take when issues arise.

Alerting consumers to allergens

Some of our consumers have food allergies that can be quite serious. We address allergen concerns at critical points throughout our production and our supply chain. We account for the possible sources of major food allergens and identify them in common terms on our labels.

Weighing the use of genetically modified ingredients

We believe genetically modified ingredients can play a role in food production. We also know consumers worldwide have different points of view about genetically modified ingredients. For that reason, we review their opinions continually. In 2010, our position did not change.

When we choose to use genetically modified ingredients in our products, we do so based on a number of factors, including:

- Fact-based scientific consensus about safety.
- Consumer acceptance.
- Local regulatory approval for use.
- Our own strict safety and quality criteria.

We follow all local regulatory requirements regarding the use and labeling of genetically modified ingredients. We also support appropriate regulation of genetically modified foods and ingredients to ensure the safety and integrity of the food supply and the protection of the environment.

FOOD SAFETY AND QUALITY

DELICIOUS @ WORK

We believe it's important to listen and learn from our consumers. We start by providing consumers with a variety of channels to reach us:

- Contact points, including 18 major global contact centers, in all countries where our products are sold.
- Contact details on all Kraft Foods websites through Frequently Asked Questions (FAQs) and Contact Us.
- Social media, with nearly 600 million fans of our various Facebook pages with more than 15 million Twitter followers.

Then, to help us respond better to consumer needs, our information analysts provide more than 1,000 monthly and quarterly analyses of consumer input to all brands and across multiple functions in Europe, Latin America and North America.

We have no safety concerns with the genetically modified ingredients currently on the market. This is based on conclusions reached by a majority of scientists and regulatory organizations, including the **Food and Agriculture Organization of the United Nations**, the **U.S. National Academy of Sciences** and the **World Health Organization**.

Though scientists have reached consensus, consumers have not. For example, in the U.S., most consumers are not concerned about genetically modified foods. So we use them in most of our products there. But in Europe, where many people don't want genetically modified ingredients, we don't use them. In countries where we don't use genetically modified ingredients, our suppliers must provide documentation on the origin and preservation of all ingredients.

Meeting expectations every step of the way

People, rightly, expect safe food. By adhering to strict standards, acting swiftly when threats to safety arise and communicating with consumers effectively, we maintain and strengthen our reputation for consistently producing delicious foods people can trust.

WORKPLACE AND CULTURE: BECOMING PERFORMANCE- DRIVEN, VALUES-LED

They invent new flavors. Make and sell our delicious products. Manage our company. And much more. Every day, our success depends on more than 125,000 capable, dedicated and diverse Kraft Foods employees around the world. Treating them well and providing a workplace that is safe, rewarding and inclusive is our proven recipe for keeping great people and inspiring them to do good things.

Starting with safety

We work hard to keep *all* of our employees safe and strive for zero accidents in the workplace. We aim to get there by addressing the causes of injuries and by setting clear expectations that employees must follow all safety laws and guidelines, operate equipment properly and never use alcohol or illegal drugs in the workplace.

By doing this, we've made good progress. While this 2010 report includes safety data on only our manufacturing facilities, by 2012, we'll track and provide this data for all employees.

"Treat people fairly."

Kraft Foods Code of Conduct, Rule 3

WORKPLACE AND CULTURE

Since 2005, we have reduced our lost-time accident rate by 32 percent in our manufacturing facilities. In 2010, 76 plants, including our Cadbury facilities, completed a full year of operation without a reported lost-time accident. That covers approximately one-third of our operating plants worldwide. Each facility received a plaque for helping fulfill our vision of being a "safety perfect" organization. Facility managers made the presentations at plant-wide celebrations, recognizing all employees for their role in this achievement.

Despite our progress, we clearly have more work to do. Tragically, there were four employee fatalities in 2010. Two employees in Philadelphia, Pennsylvania, U.S., died due to workplace violence; an employee in Chicago, Illinois, U.S., died on entering a palletizer; and an employee in India died due to a fall. Three members of the public—one each in the Dominican Republic, UK and U.S.—also died as a result of traffic accidents while our employees were carrying out their duties.

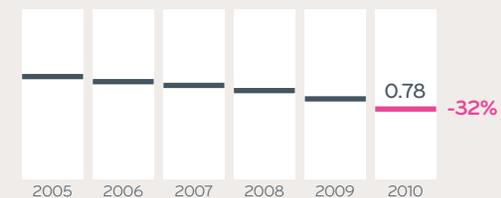
We thoroughly investigated all events to understand the root causes and to see if we needed to revise our safety policies and processes. This focus on continuous improvement is key to achieving our goal to keep all employees safe.

Our Safety Policy sums up our approach well:

- Safety and health improvements are both an individual and team responsibility.
- Each of us must be dedicated to conducting all activities with the highest concern for employee safety and health.
- Each of us should participate in a local safety program and actively seek to achieve an accident/injury-free work environment.

To achieve these commitments, we created a new worldwide safety and environment management system in 2010. This system brings together the best practices from legacy Cadbury and Kraft Foods. Our plan is to roll out this system across the company.

Lost-Time Accident Reduction Since 2005*



*This chart shows the number of lost-time accidents per 100 full-time equivalent Kraft Foods employees per year.

WORKPLACE AND CULTURE

Mixing in wellness

We encourage and support our employees in having healthier lifestyles. We offer various health and well-being tools and resources in many facilities around the world—and our goal is to expand these efforts each year. Though these resources may differ based on local and cultural needs, they generally offer similar elements around nutritional, physical and mental well-being. Here are just a few programs employees can take advantage of:

- Lifestyle improvement programs, such as stress management, weight management and smoking cessation.
- Fitness and/or sports facilities on site, incentives for gym membership and employee sports competitions.
- Health screenings and exams, including vaccinations and flu shots.
- Healthier options and nutrition information in our cafeterias and canteens.
- Newsletters/intranet sites that offer health tips and work-life and flex-time programs.

We are also an active member of the **World Economic Forum's Workplace Wellness Alliance**. The Alliance brings together 39 multinational companies from around the world that are committed to advancing wellness in the workplace by improving the overall health and well-being of their global workforce.

Folding in respect

We're building an increasingly diverse workforce and supplier base because we know that having different perspectives means better decision-making. This approach also enables us to be even closer to our diverse consumers.

At Kraft Foods, to ensure everyone can contribute to his or her fullest potential, we don't permit discrimination or harassment based on age, race, disability, national origin, religion, sex, sexual orientation or any other legally protected status.

WORKPLACE AND CULTURE

**DELICIOUS @ WORK**

We're working across our company globally to hire, develop and retain more women. In 2010, 43 percent of our salaried employees were women and they made up 35 percent of our management team.

Aligned with our value of "being open and inclusive," our global diversity and inclusion strategies provide direction to our employees worldwide. Our efforts focus on three strategic areas: culture, partnerships and accountability:

- Our culture requires that we communicate openly, seek input from employees, and provide diversity and inclusion training for employees at key career stages.
- Partnerships are vital to our success. Internally, our 10 employee resource groups, made up of diverse employees around the world, help us promote and drive diversity and inclusion. External partnerships with organizations and associations that share our commitment to diversity and inclusion help us accelerate the pace of change.
- Finally, in diversity, as in everything else, we are accountable to each other to uphold our values. Since 2009, we have linked diversity and inclusion to executive incentive compensation to increase our leaders' accountability.

Our global focus is on gender diversity. In the U.S., we also measure progress on our representation of minorities. In 2010, minorities accounted for 21.5 percent of our U.S. workforce.

Others are recognizing us for advancing and fostering an inclusive culture. For example, in 2010, *DiversityInc* named us one of its "50 Best Companies." *Working Mother* magazine has named us one of its "100 Best Companies" for several years running. And in 2010, *LATINA Style* magazine rated us No. 8 on its "50 Best Companies for Latinas" report—up from No. 25 in 2009.

We've looked beyond our four walls too. For more than 25 years, Kraft Foods has invested in supplier diversity because it's good business to explore a variety of purchasing options. Diverse suppliers have an equal opportunity to work with Kraft Foods and its subsidiaries regardless of race, national origin or gender.

DELICIOUS @ WORK

Supplier diversity examples in North America:

- In 2010, we began sourcing the majority of adhesives for North American products from minority-owned **Adhesive Systems, Inc.**, bringing capital investments and jobs to the Detroit, Michigan, metropolitan area.
- We were one of the first companies to make a pledge to **Chicago United's Five Forward Initiative™**, demonstrating our commitment to growing relationships with five local minority- and women-owned companies. As we're making progress toward our goal, we're creating a win-win for our new business partners and Kraft Foods:
 - **Cano Container Corporation**, a Hispanic-owned supplier of corrugated boxes to Kraft Foods, more than doubled its warehouse capacity in the Chicago suburban area.
 - **CSMI**, a minority- and women-owned engineering and design consulting business in a Chicago suburb, more than doubled its sales with Kraft Foods in the past year, which enabled the company to hire additional workers.

Our supplier diversity team develops and executes global strategies, in line with our **supplier diversity guidelines**, to increase the use of minority- and women-owned businesses. We look to all of our suppliers for product and service innovations at a competitive cost, without compromising quality or food safety. We also are stepping up efforts to ensure our suppliers use diverse suppliers.

To help advance our supplier diversity efforts, we offer a **supplier registration portal** for minority vendors certified by a third party, such as the **National Minority Supplier Development Council** or **Women's Business Enterprise National Council**. Once registered, minority- and women-owned businesses receive notification of upcoming sourcing opportunities and outreach events at Kraft Foods.

Everyone wins when we have a diverse workforce and a diverse supplier base.

Spicing it up with talent development

Like building great brands, increasing the skills and talents of our people takes time, energy and expertise...but done right, great brands and great people deliver great value for many years.

Our performance management program creates a connection between our business strategies, our employees' development and the individual performance required for the company's success. We believe people's achievements are based on not only milestones and deliverables, but also their demonstration of Kraft Foods' values. We are explicit in our expectations of our employees and draw the connection to creating a performance-driven, values-led culture.

Kraft Foods' rigorous and consistent approach to all elements of performance management—goal setting, ongoing informal and formal performance feedback, development planning and assessment—provides a strong framework for managers and employees as they translate company strategies into the work they do every day.

WORKPLACE AND CULTURE

**DELICIOUS @ WORK**

Making a delicious difference is integral to our corporate culture and values.

Nearly 25,000 employees in 56 countries, including Chairman and CEO Irene Rosenfeld, helped fight hunger and promote healthy lifestyles in their communities during Kraft Foods' second annual Delicious Difference Week. They planted community gardens, built playgrounds, assisted at food banks and served nutritious meals to people in need.

"I love the look in people's eyes when they see you helping out. It makes you feel good," said Sabrina Warner, serving at Chicago's Inspiration Café, which provides free restaurant meals to the homeless and low-income residents.

Our performance management program sets expectations; requires accountability; engages employees and managers in feedback, both informal and formal; and fosters development.

We're clear about what our employees need to do to succeed—and we help them do it. Our leadership imperatives and competencies, functional/technical competencies and career models, along with Kraft Foods' values, provide the organization with a common language that describes expectations and development for employees. Our tools and training support the elements of our performance management process, including development planning.

Through Kraft Foods' global succession planning program, we develop our next generation of leaders by determining development actions that align with our business strategies and needs, the employees' capabilities and potential career opportunities. Our program drives consistency in how we assess, develop and deploy our talent against the roles most critical to Kraft Foods' success.

Serving up a stronger company

Providing a safe, inclusive and rewarding workplace is critical for any company that hopes to innovate, grow and lead. In our journey toward a culture driven by performance and led by values, we're building a stronger company and place to work that attracts and retains the thinkers, problem-solvers and doers, who will help define the food industry, for decades to come.

GOVERNANCE AND COMPLIANCE: INSPIRING TRUST

“One thing is certain—when gaining a business advantage means violating the rules or ignoring our values, we don’t do it.”

Kraft Foods Code of Conduct, Introduction

The trust of consumers, customers, communities, regulators, suppliers and, of course, employees is something we do not take for granted. We strive to earn that trust every day by doing what we say we will do and holding ourselves accountable, even on the occasions when we fall short. And, as a public company, we have the added responsibility to be open and responsive to our approximately 80,000 shareholders worldwide.

Living up to these expectations and obligations is not easy. Indeed, it requires detailed planning and hard work. That’s why we have structures, policies and processes to help promote the ethical and efficient governance of our company. And we have internal and external auditors to monitor our compliance with those policies and procedures.

Starting at the top

Our **Board of Directors** governs Kraft Foods in line with our **Corporate Governance Guidelines**. Ten of our 11 directors are independent under the New York Stock Exchange listing standards. The chief executive officer is the only employee director.

DELICIOUS @ WORK

If our Code of Conduct doesn't cover a specific situation, our employees draw on our values to guide them:

We inspire trust.
We act like owners.
We keep it simple.
We are open and inclusive.
We tell it like it is.
We lead from the head and the heart.
We discuss. We decide. We deliver.

All Board committees consist entirely of independent directors. The Board has a lead director—an independent director who serves as the principal liaison between the chief executive officer and other independent directors—to increase the Board's effectiveness, promote open communication among independent directors, provide independent Board leadership on behalf of shareholders and chair meetings of the independent directors.

While the Board does not have a written policy regarding diversity, the company endeavors to nominate and assemble a Board composed of individuals with diverse views, backgrounds and professional experiences. For example, three directors are women. The representation of women on our Board is almost twice the Fortune 500 average of 15.7 percent, as reported in 2010 by [Catalyst](#).

All non-employee Board members are expected to adhere to our [Code of Business Conduct and Ethics for Non-Employee Directors](#). This Code addresses such issues as legal and regulatory compliance and conflicts of interest.

Given the increased focus on executive compensation in recent years, in 2010, the Board's Human Resources and Compensation Committee completed a thorough analysis of compensation practices and made several adjustments to Kraft Foods executive compensation programs. Starting in 2010, the mix of grants to senior management, including the named executive officers, has been 50 percent performance shares, 25 percent stock options and 25 percent restricted stock. This mix places more emphasis on performance-based compensation—that is, performance shares and stock options.

Setting clear standards on integrity

For employees, we developed our [Code of Conduct](#) as the cornerstone of our commitment to doing business with integrity. The Code is concise, clear and unequivocal, and available in 34 languages. By stating 10 simple and wide-ranging rules, the Code links our business performance with our core values and draws strict ethical boundaries. It makes plain, for everyone who works at Kraft Foods, what we believe is the proper way to do business.

DELICIOUS @ WORK

In 2009, we launched a new Ethics in Action awards program to recognize employees who act with ethical courage and lead with integrity. In 2010, several employees received these global awards:

- A customer finance analyst in the Philippines spoke up to protect the business and ensure that we didn't employ an ex-colleague with a reputation for negligence and dishonesty.
- A line operator in Slovakia took responsibility for food safety and made the hard decision to stop production to avert a potentially serious problem.
- A manager of European exports in Switzerland displayed unwavering integrity when refusing to make an "unofficial" payment to customs officials.
- In the U.S., a senior scientist from New York worked tirelessly to put safety and quality first, assuming a leading role in our response to a pistachio recall.

Our Code of Conduct reflects our belief that ensuring compliance and integrity is a never-ending process. We're continually making sure our standards are high, expectations are clear and that we have the tools and processes in place for meeting them. We regularly perform assessments of key legal and compliance risks across our entire company.

Educating employees on ethics

Our chief compliance officer and five regional compliance officers—with support from other members of the Compliance & Integrity and Legal groups—help employees understand our ethical standards. Training educates employees worldwide about our ethics and compliance practices.

In 2010, exempt Kraft Foods employees at all levels took our Code of Conduct online training and completed an acknowledgment form. We were able to include all exempt employees because we doubled the number of languages offered for the course. In late 2010, we began providing this course to our legacy Cadbury employees.

In addition, we offer in-depth courses to employees based on their responsibilities. Topics include food safety, antitrust, anti-bribery

and responsible marketing. We continuously measure and evaluate the effectiveness of our compliance and ethics programs.

Ensuring people feel safe to speak up

Under our Speaking Up Policy, we expect employees to ask questions and raise concerns about business practices when they see something they think may be wrong.

Employees have several avenues for speaking up, including their supervisors, compliance officers or human resources contacts.

For times when employees are not comfortable speaking with any of our internal sources, or simply wish to remain anonymous, we offer external support. Consistent with applicable local laws, we have established a toll-free telephone **HelpLine**, which is operated by an independent company, as well as a corresponding **WebLine**, so that our employees can confidentially and, if they wish, anonymously report instances of suspected wrongdoing or ask questions about compliance matters. The HelpLine and WebLine are available globally and allow employees to discuss their concerns in their own languages.

Anyone outside of our company who suspects wrongdoing by a Kraft Foods employee or business can contact the HelpLine, WebLine or our Compliance & Integrity group at Kraft-Compliance@kraft.com.

We also encourage our employees and those outside our company to report concerns about our fiscal controls, auditing matters or anything else that appears to involve malfeasance of any kind. Please report such concerns to Kraft-FinancialIntegrity@kraft.com.

In addition, Kraft Foods monitors public policy and participates in the public discussion on issues affecting our company. Some examples of issues include food safety and security, nutrition, biotechnology, environmental responsibility, food labeling, marketing and packaging. And, when we engage with governments, we follow the rules and do so transparently. For example, we voluntarily publish a list of all Kraft Foods' [U.S. political contributions](#) in the [Corporate Governance](#) section of our website.

Holding ourselves and our suppliers to high standards

We select suppliers (including consultants and other service providers) around the world based, in part, on whether their ethical standards align with ours. Our guiding principle is that we will not expect more of our suppliers than we expect of ourselves.

We created a summary of our corporate social responsibility expectations in three public statements, which are substantively consistent with long-standing Kraft Foods' policies:

[Kraft Foods Statement on Human Rights](#)

[Kraft Foods Corporate Responsibility Guidelines](#)

[Corporate Responsibility Expectations for Direct Suppliers](#)

Most major suppliers and customers have requirements regarding corporate responsibility expectations that have led to a proliferation of corporate codes of conduct and assessment requests. We helped create what we consider to be a simpler approach.

DELICIOUS @ WORK

In November, 2010, guided by the objective to demonstrate the importance of responsible sourcing for the sustainability of business, leading companies—including Kraft Foods—collaborated to hold a first-of-its-kind supplier forum on Responsible Sourcing in São Paulo, Brazil.

The supplier forum included 280 people—representatives from brand companies, supplier organizations and internationally accredited third-party audit agencies.

The focus of the Forum was on the human aspect of sustainability, emphasizing the people in our value chains and in the communities where we operate. It was an excellent platform for the supplier partners to engage with senior business leaders in order to get a sense of the urgency and seriousness of this opportunity.

www.aim.be/responsible_sourcing.htm

Kraft Foods is a founding member of the Program for Responsible Sourcing (**AIM-PROGRESS**), sponsored by **Association des Industries de Marque** (AIM) in Europe and the **Grocery Manufacturers Association** in the U.S. This industry initiative allows a supplier to provide common information about corporate social responsibility performance so each customer can make business decisions independently and in accordance with its own corporate responsibility standards.

To demonstrate our commitment to this important initiative, in 2010, Kraft Foods:

- Completed foundational work, by assessing risk within our supply chain through self-assessments and verification by data systems and third-party audits.
- Provided critical training to a number of our facility managers and suppliers globally. Topics included corporate responsibility, PROGRESS, and the importance of assessments and audits to continuously improve management systems and respond to customers' requests for information.

- Completed PROGRESS pilots at seven of our facilities.
- Set aggressive goals to complete self-assessments and audits of 100 percent of our global locations during the next three years.
- Worked with our suppliers to initiate PROGRESS at more than 300 of their facilities and completed 10 suppliers' audits.

Adding up to trust

Of all of our assets, the public's trust in us is the one we value most. Our governance policies, our Code of Conduct and our expectations of suppliers are all parts of our daily effort to preserve trust. Like any company, we'll sometimes fall short, but our standards, policies and systems make it plain to anyone who works for us, does business with us or buys our products: We're working to create a more delicious world—every day.

Independent Assurance Statement by ERM

**Environmental
Resources
Management**

Kraft Foods' Creating A More Delicious World 2010 Report

Environmental Resources Management (ERM) was retained by Kraft Foods Global, Inc. to provide an independent review and assurance statement for Kraft Foods' Creating A More Delicious World 2010 Report (the Report).

One Continental Towers
1701 Golf Road, Suite 1000
Rolling Meadows, IL 60008
(847) 258 8900

Scope of Work

The assurance process was conducted in accordance with AA1000AS (2008). We were engaged to provide moderate level, Type 2 assurance, covering:

<http://www.erm.com>

- evaluation of adherence to the AA1000AS (2008) principles of inclusivity, materiality and responsiveness (the Principles) and
- the reliability of specified sustainability performance information.



Assurance Work Performed

We tested the effectiveness of processes used to adhere to the AA1000AS Principles through interviews with selected senior management at executive and functional levels and of relevant management responsible for day-to-day management of sustainability issues.

ERM is an independent global provider of environmental, social and corporate responsibility consulting and assurance services. Over the past 4 years we have worked with over half of the world's 500 largest companies, in addition to numerous governments, international organisations and NGOs.

ERM interviewed key individuals who were responsible for the development and implementation of Kraft Foods' response to the following topics:

Health and Well-Being
Sustainability

Food Safety and Quality
Workplace and Culture

Governance and Compliance

In addition, ERM reviewed the corporate environmental performance indicator (EPI) datasets, visited a sample of fourteen sites (eight North American and six international) and interviewed people at sixteen sites (one North American site and fifteen international) to review site data capture and reporting. The assurance sites were selected from each business region to provide a representative sample of the significant contributors to the six key EPIs and to include sites that were assessed to have the most significant year-on-year changes. The processes were tested at site level by tracking samples of data from input and calculation to consolidation, internal checking and reporting.

EPI data were reviewed for the calendar year 2010 from manufacturing plants only for the following six EPIs: water consumption, water discharged, energy used in stationary sources, carbon dioxide emitted from stationary sources, solid waste generated and waste recycling rates.

Responsibility and Methodology

ERM's responsibility was to express our assurance conclusions within the agreed scope. We delivered our work in accordance with ERM's assurance methodology, which is based on AA1000AS, the Global Reporting Initiative (GRI) Sustainability Reporting Standards and the International Standard on Assurance Engagements (ISAE) 3000. We planned and performed our work to obtain all the information and explanations that we believe were necessary to provide a basis for our assurance conclusions as to whether the reported information and data set out in our scope of work was appropriately reported (moderate assurance).

The accuracy and completeness of this information is subject to inherent limitations given their nature and methods for determining, calculating and estimating such data.

ERM Conclusions

On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe Kraft Foods' adherence to the AA1000AS Principles or its performance.

In terms of data accuracy, nothing came to our attention to suggest that data has not been properly collated from information reported from manufacturing plants. We are not aware of any errors that would materially affect the data reported.

Observations

Without affecting our assurance opinion, we also provide the following observations:

Kraft Foods continues to make good progress in integrating sustainability issues into their business processes and adopting a life-cycle approach to sustainability issues. This life-cycle approach is being applied to determine priorities and to provide focus for efforts to reduce impacts associated with their suppliers, operations and products.

ERM Competence

ERM operates strict conflict of interest checks and has confirmed our independence to work on this engagement with Kraft Foods. The members of the review team have not provided consulting services to Kraft Foods outside of the review of EPI data and the Report. These members were not involved in the preparation of any part of the Report. The review team has the required combination of education, experience, training, and skills for this engagement.

Environmental Resources Management
Chicago, USA
June 2011



At Kraft Foods, we're creating a more delicious world and we'd love to hear your thoughts on how we're doing. Please send us an e-mail at DeliciousWorld@KraftFoods.com.

www.kraftfoodscompany.com/DeliciousWorld

