

Sara Lee Corp  
Form DEF 14A  
September 14, 2007  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No. \_\_)

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-11(c) or § 240.14a-12

SARA LEE CORPORATION

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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

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

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Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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September 14, 2007

**Dear Sara Lee Stockholder:**

It is my pleasure to invite you to Sara Lee Corporation's 2007 Annual Meeting of Stockholders. This year's meeting will be held on Thursday, October 25, 2007 at 9:30 a.m. (CDT), in the Drury Lane Theatre, 100 Drury Lane, Oakbrook Terrace, Illinois. At the meeting, we will focus on the business items listed in the notice of the meeting, which follows on the next page.

We are pleased to be one of the first companies to take advantage of the new Securities and Exchange Commission rule allowing companies to furnish proxy materials to their stockholders over the Internet. We believe that this new e-proxy process will expedite stockholders' receipt of proxy materials and lower the costs and reduce the environmental impact of our annual meeting. On September 14, 2007, we mailed to our U.S. and Canadian stockholders a Notice containing instructions on how to access our 2007 Proxy Statement and Annual Report and vote online. All other stockholders will continue to receive a copy of the Proxy Statement and Annual Report by mail. The Proxy Statement contains instructions on how you can (i) receive a paper copy of the Proxy Statement and Annual Report, if you only received a Notice by mail, or (ii) elect to receive your Proxy Statement and Annual Report over the Internet, if you received them by mail this year.

Whether or not you plan to attend the meeting, your vote is important and we encourage you to vote promptly. You may vote your shares via a toll-free telephone number or over the Internet. If you received a paper copy of the proxy card by mail, you may sign, date and mail the proxy card in the envelope provided. Instructions regarding all three methods of voting are contained on the proxy card.

We look forward to seeing you at the Annual Meeting.

Sincerely,

Brenda C. Barnes

Chairman of the Board

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**NOTICE OF THE 2007  
ANNUAL MEETING OF STOCKHOLDERS**

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The 2007 Annual Meeting of Stockholders of Sara Lee Corporation will be held on Thursday, October 25, 2007, at 9:30 a.m. (CDT), in the Drury Lane Theatre, 100 Drury Lane, Oakbrook Terrace, Illinois for the following purposes:

1. to elect ten directors;
2. to vote on the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accountants for the 2008 fiscal year;
3. to vote on the approval of the Sara Lee Corporation Performance-Based Incentive Plan;
4. to vote on three stockholder proposals; and
5. to transact such other business as may properly come before the meeting.

Stockholders of record at the close of business on September 4, 2007 are entitled to notice of and to vote at the Annual Meeting.

Whether or not you plan to attend the meeting, we urge you to vote your shares via the toll-free telephone number or over the Internet, as described in the enclosed materials. If you received a copy of the proxy card by mail, you may sign, date and mail the proxy card in the envelope provided.

By Order of the Board of Directors

Roderick A. Palmore  
Executive Vice President, General Counsel and

Secretary

September 14, 2007

**ADMISSION TO THE 2007 ANNUAL MEETING**

An admission ticket (or other proof of stock ownership) and some form of government-issued photo identification (such as a valid driver's license or passport) will be required for admission to the Annual Meeting. **Only stockholders who own Sara Lee common stock as of the close of business on September 4, 2007, will be entitled to attend the meeting. An admission ticket will serve as verification of your ownership.**

If your Sara Lee shares are registered in your name and you received your proxy materials by mail, an admission ticket is attached to your proxy card.

If your Sara Lee shares are registered in your name and you received or accessed your proxy materials electronically over the Internet, click the appropriate box on the electronic proxy card or follow the telephone instructions when prompted and an admission ticket will be held for you at the registration desk at the Annual Meeting.

If your Sara Lee shares are held in a bank or brokerage account, contact your bank or broker to obtain a written legal proxy in order to vote your shares at the meeting. If you do not obtain a legal proxy from your bank or broker, you will not be entitled to vote your shares, but you can still attend the Annual Meeting if you bring a recent bank or brokerage statement showing that you owned shares of Sara Lee common stock on September 4, 2007.

No cameras, recording devices or large packages will be permitted in the meeting room.

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**INFORMATION ABOUT SARA LEE CORPORATION**

Sara Lee is a global manufacturer and marketer of high-quality, brand name products for consumers throughout the world. The address of our principal executive office is 3500 Lacey Road, Downers Grove, Illinois 60515-5424 and our telephone number is +1.630.598.6000. Our corporate Web site is located at [www.saralee.com](http://www.saralee.com). Information contained on our Web site does not constitute part of this proxy statement.

**INFORMATION ABOUT THE ANNUAL MEETING**

***Information About Attending the Annual Meeting***

Our Annual Meeting will be held on Thursday, October 25, 2007, at 9:30 a.m. (CDT), in the Drury Lane Theatre, 100 Drury Lane, Oakbrook Terrace, Illinois 60181. The telephone number of the Drury Lane Theatre is +1.630.530.8300. The doors to the meeting room will open for admission at 9:00 a.m. Directions to the Drury Lane Theatre and an event schedule are contained at the end of this proxy statement.

An admission ticket (or other proof of stock ownership) and some form of government-issued photo identification (such as a valid driver's license or passport) will be required for admission to the Annual Meeting. **Only stockholders who own Sara Lee common stock as of the close of business on September 4, 2007 will be entitled to attend the meeting. An admission ticket will serve as verification of your ownership.**

If your Sara Lee shares are registered in your name and you received your proxy materials by mail, an admission ticket is attached to your proxy card.

If your Sara Lee shares are registered in your name and you received or accessed your proxy materials electronically over the Internet, click the appropriate box on the electronic proxy card or follow the telephone instructions when prompted and an admission ticket will be held for you at the registration desk at the Annual Meeting.

If your Sara Lee shares are held in a bank or brokerage account, contact your bank or broker to obtain a written legal proxy in order to vote your shares at the meeting. If you do not obtain a legal proxy from your bank or broker, you will not be entitled to vote your shares, but you can still attend the Annual Meeting if you bring a recent bank or brokerage statement showing that you owned shares of Sara Lee stock on September 4, 2007.

No cameras, recording devices or large packages will be permitted in the meeting room.

***Information About this Proxy Statement***

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*Why you received this proxy statement.* You have received these proxy materials because Sara Lee's Board of Directors is soliciting your proxy to vote your shares at the Annual Meeting. This proxy statement includes information that we are required to provide to you under the rules of the Securities and Exchange Commission and that is designed to assist you in voting your shares. On September 14, 2007, we mailed to our U.S. and Canadian stockholders of record as of the close of business on September 4, 2007 a Notice containing instructions on how to access this proxy statement and our annual report online, and we began mailing these proxy materials to stockholders outside the U.S. and Canada. If you own Sara Lee common stock in more than one account, such as individually and also jointly with your spouse, you may receive more than one Notice or set of these proxy materials. To assist us in saving money and to serve you more efficiently, we encourage you to have all your accounts registered in the same name and address by contacting Sara Lee's transfer agent, Mellon Investor Services, at +1.888.422.9881 or [shrrelations@mellon.com](mailto:shrrelations@mellon.com).

*Notice of Electronic Availability of Proxy Statement and Annual Report.* As permitted by rules recently adopted by the Securities and Exchange Commission, Sara Lee is making this proxy statement and its annual

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report available to its stockholders electronically via the Internet. On September 14, 2007, we mailed to our U.S. and Canadian stockholders a Notice containing instructions on how to access this proxy statement and our annual report and vote online. If you received a Notice by mail, you will not receive a printed copy of the proxy materials in the mail. Instead, the Notice instructs you on how to access and review all of the important information contained in the proxy statement and annual report. The Notice also instructs you on how you may submit your proxy over the Internet. If you received a Notice by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the Notice.

*Householding.* The Securities and Exchange Commission's rules permit us to deliver a single Notice or set of Annual Meeting materials to one address shared by two or more of our stockholders. This delivery method is referred to as "householding" and can result in significant cost savings. To take advantage of this opportunity, we have delivered only one proxy statement and annual report to multiple stockholders who share an address, unless we received contrary instructions from the impacted stockholders prior to the mailing date. We agree to deliver promptly, upon written or oral request, a separate copy of the Notice or Annual Meeting materials, as requested, to any stockholder at the shared address to which a single copy of those documents was delivered. If you prefer to receive separate copies of the proxy statement or annual report, contact Broadridge Financial Solutions, Inc. at +1.800.542.1061 or in writing at Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717.

If you are currently a stockholder sharing an address with another stockholder and wish to receive only one copy of future Notices, proxy statements and annual reports for your household, please contact Broadridge at the above phone number or address.

## ***Information About Voting***

Stockholders can vote in person at the Annual Meeting or by proxy. There are three ways to vote by proxy:

**By Telephone** Stockholders located in the United States can vote by telephone by calling +1.800.690.6903 and following the instructions on the proxy card;

**By Internet** You can vote over the Internet at [www.proxyvote.com](http://www.proxyvote.com) by following the instructions on the proxy card; or

**By Mail** If you received your proxy materials by mail, you can vote by mail by signing, dating and mailing the enclosed proxy card.

Telephone and Internet voting facilities for stockholders of record will be available 24 hours a day and will close at 11:59 p.m. (EDT) on October 24, 2007. If you hold shares in the Sara Lee Common Stock Fund under any of Sara Lee's retirement or savings plans, your voting instructions for those shares must be received by 5:00 p.m. (EDT) on October 22, 2007 to allow sufficient time for voting by the trustees and administrators of the plans.

If your shares are held in the name of a bank, broker or other holder of record, you will receive instructions from the holder of record. You must follow the instructions of the holder of record in order for your shares to be voted. Telephone and Internet voting also will be offered to stockholders owning shares through certain banks and brokers. If your shares are not registered in your own name and you plan to vote your shares in person at the Annual Meeting, you should contact your broker or agent to obtain a legal proxy or broker's proxy card and bring it to the Annual Meeting in order to vote.

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If you vote by proxy, the individuals named on the proxy card (your proxies) will vote your shares in the manner you indicate. You may specify whether your shares should be voted for or against all, some or none of the nominees for director and whether your shares should be voted for or against each of the other proposals. If you sign and return the proxy card without indicating your instructions, your shares will be voted as follows:

FOR the election of the ten nominees for directors;

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FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accountants for fiscal year 2008;

FOR approval of the Performance-Based Incentive Plan; and

AGAINST the three stockholder proposals.

You may revoke or change your proxy at any time before it is exercised by (1) delivering to us a signed proxy card with a date later than your previously delivered proxy, (2) voting in person at the Annual Meeting, (3) granting a subsequent proxy through the Internet or telephone, or (4) sending a written revocation to Sara Lee's Secretary, Roderick A. Palmore. Your most current proxy card or telephone or Internet proxy is the one that is counted.

Each share of Sara Lee common stock is entitled to one vote. The record date for determining stockholders entitled to notice of and to vote at the Annual Meeting is September 4, 2007. As of September 4, 2007, there were 724,524,545 shares of Sara Lee common stock outstanding.

### *Information for Sara Lee Employees Who are Stockholders*

If you are a Sara Lee employee who is a stockholder, or if you hold shares in the Sara Lee Common Stock Fund under any of Sara Lee's retirement or savings plans (the Savings Plans) or participate in the Sara Lee Corporation Direct Investment Plan, you will receive one proxy for all accounts registered in the same name. If all of your accounts are not registered in the same name, you will receive a separate proxy for each account that is registered in a different name. If you participate in the Savings Plans, your proxy card will serve as voting instructions to the trustees of those plans for shares allocated to your account, as well as a proportionate share of any unallocated shares and unvoted shares. If you fail to give voting instructions to the trustees, your shares will be voted by the trustees in the same proportion as shares held by the trustees for which voting instructions have been received. **To allow sufficient time for voting by the trustees and administrators of the Savings Plans, your voting instructions for shares held in the Savings Plans must be received by 5:00 p.m. (EDT) on October 22, 2007.**

### *Information Regarding Tabulation of the Vote*

Sara Lee has a policy that all proxies, ballots and votes tabulated at a meeting of stockholders are confidential, and the votes will not be revealed to any Sara Lee employee or anyone else, other than to the non-management tabulator of votes or an independent election inspector, except (1) as necessary to meet applicable legal requirements, (2) if a stockholder writes comments on the proxy card directed to Sara Lee's Board or management, or (3) in the event a proxy solicitation in opposition to the election of the Board of Directors is initiated. Representatives of Broadridge Financial Solutions, Inc. will tabulate votes and act as Inspectors of Election at this year's Annual Meeting.

### *Quorum Requirement*

A quorum is necessary to hold a valid meeting. If stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting are present in person or by proxy, a quorum will exist. Abstentions and broker non-votes are counted as present for establishing a quorum. A broker

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non-vote occurs when a broker does not vote on some matter on the proxy card because the broker does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner.

### *Information About Votes Necessary for Action to be Taken*

Ten directors have been nominated for election at the Annual Meeting. Sara Lee's Bylaws require that, in uncontested elections, each director be elected by the majority of votes cast with respect to such director. This

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means that the number of shares voted for a director nominee must exceed the number of votes cast against that nominee in order for that nominee to be elected. Only votes for or against are counted as votes cast with respect to a director. Abstentions will have no effect. If a nominee who currently is serving as a director does not receive the affirmative vote of at least a majority of the votes cast, Maryland law provides that the director would continue to serve on Sara Lee's Board as a holdover director. However, under our Corporate Governance Guidelines, each holdover director is required to tender his or her resignation to the Board promptly after the stockholder vote has been certified. Under the Guidelines, the independent directors (excluding the director who tendered the resignation) will decide whether to accept the resignation or whether other action should be taken, and publicly disclose its decision and rationale, within 90 days.

For each other proposal, the affirmative vote of a majority of votes cast on the proposal is necessary to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm (Proposal 2), to approve the Performance-Based Incentive Plan (Proposal 3) and to approve the stockholder proposals (Proposals 4 through 6). Abstentions and broker non-votes will have no effect on any of these items because they are not considered votes cast.

### ***Other Business to be Considered***

The Board of Directors does not intend to present any business at the Annual Meeting other than the proposals described in this proxy statement. However, if any other matter properly comes before the Annual Meeting, including any stockholder proposal omitted from the proxy statement and form of proxy pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, your proxies will act on such matter in their discretion.

## **CORPORATE GOVERNANCE**

### ***Corporate Governance Guidelines***

Sara Lee has adopted Corporate Governance Guidelines, which are available at [www.saralee.com](http://www.saralee.com) on the Investor Relations page under the link Corporate Governance. The Guidelines contain general principles regarding the functions of Sara Lee's Board of Directors and Board Committees.

### ***Director Independence***

Sara Lee's Corporate Governance Guidelines require that a substantial majority of the Board of Directors be comprised of independent directors. For a director to be considered independent under the listing standards of the New York Stock Exchange, the Board must affirmatively determine that a director has no direct or indirect material relationship with Sara Lee. The Board has adopted categorical standards, which are contained in Sara Lee's Corporate Governance Guidelines and conform to and exceed the independence criteria specified by the New York Stock Exchange, to assist it in making determinations regarding independence. The full text of the categorical standards is attached as Appendix A to this proxy statement. These categorical standards specify the criteria by which the independence of Sara Lee's directors will be determined, including whether a director or any member of the director's immediate family has any past employment or affiliation with Sara Lee or Sara Lee's independent registered public accountants.

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After considering these categorical standards, the listing standards of the New York Stock Exchange and any other commercial or charitable relationships between the directors and Sara Lee, the Board has determined that Christopher B. Begley, Virgis W. Colbert, James S. Crown, Willie D. Davis, Laurette T. Koellner, Cornelis J.A. van Lede, Sir Ian Prosser, Rozanne L. Ridgway, Norman R. Sorensen and Jonathan P. Ward are independent. Brenda C. Barnes is not independent because she is an executive officer of Sara Lee. The Board also has determined that former directors J.T. Battenberg III, Cynthia B. Carroll, Charles W. Coker and Richard L. Thomas met the above standards for independence during the time that they served as directors. In evaluating and determining the independence of the non-management directors, the Board of Directors considered the



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following relationships: Cornelis J.A. van Lede serves as a senior advisor to JP Morgan PLC (London) with respect to its investment banking activities in Europe, and Jonathan P. Ward serves as Chairman of the Chicago office of Lazard Ltd. and as a Managing Director of Lazard Freres & Co., LLC. From time to time, Sara Lee engages investment banks, including affiliates of JP Morgan PLC and Lazard Freres & Co., LLC, to provide financial advisory services. In addition, James S. Crown and members of his immediate family own an indirect equity interest in a business from which Sara Lee purchased parts, labor and equipment in fiscal 2007. There were no other transactions, relationships or arrangements that required review by the Board for purposes of determining director independence.

### ***Process for Nominating Potential Director Candidates***

The Corporate Governance, Nominating and Policy Committee of Sara Lee's Board of Directors is responsible for screening potential director candidates and recommending qualified candidates to the full Board for nomination. In evaluating potential director candidates, the Committee considers the qualifications listed in Sara Lee's Corporate Governance Guidelines, which are available at [www.saralee.com](http://www.saralee.com) on the

Investor Relations page under the link Corporate Governance. The Corporate Governance, Nominating and Policy Committee considers recommendations of potential candidates from incumbent directors, management and stockholders. Any recommendation submitted by a stockholder to the Corporate Governance, Nominating and Policy Committee must include the same information concerning the potential candidate and the stockholder, and must be received in the time frame, as would be required under Article I, Section 10 of Sara Lee's Bylaws if the stockholder wished to nominate the candidate directly. From time to time the Committee also retains search firms to assist it. The Committee applies the same standards in evaluating candidates submitted by stockholders as it does in evaluating candidates submitted by other sources. Suggestions regarding potential director candidates, together with the required information described above, should be submitted in writing to Sara Lee's Secretary, Roderick A. Palmore, at Sara Lee Corporation, 3500 Lacey Road, Downers Grove, Illinois 60515-5424.

### ***Code of Conduct***

Sara Lee's Global Business Standards, the company's written corporate code of business conduct and ethics, embody Sara Lee's long-standing history of requiring adherence to high standards of ethical conduct and business practices. The Global Business Standards are available on Sara Lee's Web site at [www.saralee.com](http://www.saralee.com) on the About Sara Lee page under the link Global Business Practices. All of Sara Lee's officers, directors and employees, including its Chief Executive Officer, Chief Financial Officer and principal accounting officer, are required to comply with the Global Business Standards.

### ***Communications with the Board of Directors***

Stockholders and other interested parties may communicate with one or more members of Sara Lee's Board of Directors, including the Chair of any Committee of the Board, by writing to the Board, or a specific Committee Chair or director at:

Board of Directors

(or specific Committee Chair or director)  
c/o Roderick A. Palmore, Secretary  
Sara Lee Corporation  
3500 Lacey Road  
Downers Grove, Illinois 60515-5424

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Sara Lee's Board of Directors has instructed the Secretary to forward communications to the Board or to individual directors, as appropriate; however, the Board also has instructed the Secretary to review all correspondence received and, in his discretion, not forward correspondence that is unrelated to the duties and responsibilities of the Board. Examples of such inappropriate communication include business solicitations,

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advertising and communication that is frivolous in nature, relates to routine business matters (such as product inquiries, complaints or suggestions), or raises grievances that are personal to the person submitting the communication. Upon request, any director may review communication that is not forwarded to the directors pursuant to this policy.

The Audit Committee of the Board of Directors has established procedures for employees, stockholders and others to submit confidential and anonymous reports of suspected illegal or unethical behavior, violations of Sara Lee's Global Business Standards or concerns regarding Sara Lee's accounting, internal accounting controls or auditing matters. Reports may be made by sending an email to [business.practices@saralee.com](mailto:business.practices@saralee.com), or by calling

+1.800.285.7964 (available toll-free outside the U.S. using the local AT&T Direct access number)

+1.312.345.5715 (reverse charges outside the U.S.)

### ***Presiding Director***

The Board, after considering the recommendation of the Corporate Governance, Nominating and Policy Committee, annually selects one independent director who is serving as Chairperson of a standing committee of the Board to serve as the Presiding Director for all meetings of the non-management directors held in executive session. The Presiding Director also has other authority and responsibilities that are described in Sara Lee's Corporate Governance Guidelines, which are available at [www.saralee.com](http://www.saralee.com) on the Investor Relations page under the link Corporate Governance. James S. Crown currently serves as the Presiding Director.

### ***Executive Sessions***

Pursuant to Sara Lee's Corporate Governance Guidelines, non-management directors of the Board meet in regularly scheduled executive sessions without management. The Presiding Director chairs all regularly scheduled executive sessions, and also has authority to convene meetings of the non-management directors at any time with appropriate notice.

### ***Attendance at Annual Meeting***

As stated in Sara Lee's Corporate Governance Guidelines, each director is expected to attend all annual meetings of stockholders. Ten of the twelve directors who were nominated for re-election to the Board attended the 2006 annual meeting.

### ***Governance Documents***

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All of Sara Lee's current corporate governance documents and policies, including its Corporate Governance Guidelines, committee charters and Global Business Standards, are available at [www.saralee.com](http://www.saralee.com) and in print to any stockholder who requests them.

### *Review of Transactions with Related Persons*

The Board has adopted a written policy regarding the review and approval of transactions involving certain persons that SEC regulations require to be disclosed in proxy statements, which are commonly referred to as related person transactions. A related person is defined under the applicable SEC regulation and includes our directors, executive officers and 5% or more beneficial owners of our common stock. Under the written policy, Sara Lee's Corporate Governance, Nominating and Policy Committee is responsible for reviewing and approving any related party transactions and will consider factors it deems appropriate, including:

the approximate dollar amount involved in the transaction, including the amount payable to the related person;

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the nature of the interest of the related person in the transaction;

whether the transaction may involve a conflict of interest;

whether the transaction involves the provision of goods or services to Sara Lee that are available from unaffiliated third parties and, if so, whether the related person transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances; and

the purpose of the transaction and any potential benefits to Sara Lee.

There are no related person transactions to report in this proxy statement.

***Compensation Committee Interlocks and Insider Participation***

None of Sara Lee's non-management directors is an executive officer of a public company of which a Sara Lee executive officer is a director.

***Relationship with Executive Compensation Consultant***

Sara Lee's Compensation and Employee Benefits Committee (the Committee) has retained Frederic W. Cook & Co., Inc. (FW Cook) as its independent executive compensation consultant. FW Cook reports directly to the Committee, and the Committee may replace FW Cook or hire additional consultants at any time. Frederic Cook, principal of FW Cook, attends meetings of the Committee, as requested, and communicates with the Chair of the Committee between meetings; however, the Committee makes all decisions regarding the compensation of Sara Lee's executive officers. None of Sara Lee's management participated in the Committee's decision to retain FW Cook as the Committee's independent executive compensation consultant.

FW Cook provides various executive compensation services to the Committee with respect to Sara Lee's executive officers and other key employees pursuant to a written consulting agreement with the Committee. The services FW Cook provides under the agreement include advising the Committee on the principal aspects of Sara Lee's executive compensation program and evolving best practices, and providing market information and analysis regarding the competitiveness of Sara Lee's program design and Sara Lee's award values in relationship to its performance. In the past five years, FW Cook also has provided limited executive compensation consulting services to Sara Lee's management in connection with Sara Lee's disposition of certain businesses. For example, in connection with the spin-off of Sara Lee's branded apparel business in September 2006, FW Cook assisted management in developing compensation programs for the executive officers and non-employee directors of that business unit.

The Committee regularly reviews the services provided by its outside consultants and believes that FW Cook is independent in providing executive compensation consulting services to the Committee. The scope of FW Cook's business is providing executive compensation consulting services and it does not provide, directly or indirectly through affiliates, any non-executive compensation services, such as pension consulting or human resource outsourcing. In addition, in its consulting agreement with the Committee, FW Cook agrees to advise the Chair of the Committee if any potential conflicts of interest arise that could cause FW Cook's independence and duty of loyalty to be questioned, and to not undertake

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any projects for Sara Lee management except at the request of the Committee Chair and as agent for the Committee. In light of these factors, the Committee does not believe that a formal conflicts policy is necessary at this time.

**Table of Contents****MEETINGS AND COMMITTEES OF THE BOARD**

The Board of Directors held eight meetings during fiscal year 2007 and has the following standing committees: Audit, Compensation and Employee Benefits, Corporate Governance, Nominating and Policy, Executive, Finance and Qualified Legal Compliance. The following table shows the membership of these committees. All of the directors attended at least 75% of all the meetings of the Board and all meetings of the Board committees on which he or she served during fiscal year 2007.

Each of the Audit, Compensation and Employee Benefits, and Corporate Governance, Nominating and Policy Committees operates pursuant to a written charter. Copies of the Committee charters are available on Sara Lee's Web site at [www.saralee.com](http://www.saralee.com) on the About Sara Lee page under the link Board of Directors Committee Charters.

Name	Audit	Compensation and Employee Benefits	Corporate Governance, Nominating and Policy	Executive	Finance	Qualified Legal Compliance
Brenda C. Barnes				X*	X	
Christopher B. Begley					X	
Virgis W. Colbert		X			X	
James S. Crown		X	X*	X		
Willie D. Davis	X	X				X
Laurette T. Koellner	X*		X	X	X	X*
Cornelis J.A. van Lede	X	X	X			X
Sir Ian Prosser	X				X	X
Rozanne L. Ridgway			X	X	X*	
Jonathan P. Ward		X*	X	X		

\* Committee Chair

**Audit Committee.** The Audit Committee provides oversight regarding accounting, auditing and financial reporting practices of Sara Lee. The Audit Committee met five times during the year, including periodic meetings held separately with the internal auditor and the independent registered public accountants Sara Lee's annual and quarterly financial statements before they are filed, and the Chair of the Audit Committee meets with management to discuss Sara Lee's earnings announcements. The Audit Committee is comprised solely of non-management directors, all of whom the Board has determined are independent within the meaning of the listing standards of the New York Stock Exchange and the rules of the Securities and Exchange Commission. The Board has determined that all members of the Audit Committee are financially literate pursuant to the listing standards of the NYSE, and has designated Laurette T. Koellner as an audit committee financial expert as defined in the rules of the Securities and Exchange Commission.

**Compensation and Employee Benefits Committee.** The Compensation and Employee Benefits Committee reviews and approves Sara Lee's compensation philosophy covering corporate officers and other key management employees; reviews the competitiveness of Sara Lee's total compensation practices; determines the annual base salaries and incentive awards to be paid to, and approves the annual salaries of, corporate officers and other key management employees; approves the terms and conditions of proposed incentive plans applicable to corporate officers and other key management employees; approves and administers Sara Lee's employee benefit plans; and reviews and approves special hiring and severance arrangements for corporate officers and

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other key management employees. The Committee has delegated to the Committee Chair responsibility for the review and approval of any corporate officer's, or other designated key executive's, hiring, severance or relocation arrangement that deviates materially from Sara Lee's standard policies, procedures and programs. The Committee also may form and delegate authority to subcommittees or the Chair when it deems appropriate. The Compensation and Employee Benefits Committee is comprised solely of non-management directors, all of whom the Board has determined are independent within the meaning of the listing standards of the New York Stock Exchange and the rules of the Securities and Exchange Commission. The Compensation and Employee Benefits Committee met five times during the year.

**Corporate Governance, Nominating and Policy Committee.** The Corporate Governance, Nominating and Policy Committee reviews and considers directorship policies and practices from time to time, evaluates potential director candidates and recommends qualified candidates to the full Board, reviews the management succession plan and executive resources and oversees Sara Lee's activities and positions on significant corporate social responsibility and public policy matters. The Committee is comprised solely of non-management directors, all of whom the Board has determined are independent within the meaning of the listing standards of the New York Stock Exchange. The Corporate Governance, Nominating and Policy Committee met four times during the year.

**Executive Committee.** The Executive Committee exercises the authority of the Board on such matters as are delegated to it by the Board of Directors from time to time and exercises the powers of the Board between meetings of the Board of Directors. The Executive Committee meets on a periodic basis, as needed, and did not meet during the year.

**Finance Committee.** The Finance Committee reviews the Corporation's financial policies and performs other duties as requested by the Board of Directors from time to time. The Finance Committee met four times during the year.

**Qualified Legal Compliance Committee.** The Qualified Legal Compliance Committee was established to facilitate the confidential receipt, retention and consideration of reports, made by attorneys retained or employed by Sara Lee, of evidence of a material violation of U.S. federal or state securities law, a material breach of fiduciary duty arising under federal or state law, or a similar material violation of any U.S. federal or state law by Sara Lee or any of its officers, directors, employees or agents. The Committee is comprised solely of non-management directors, all of whom are independent within the meaning of the listing standards of the New York Stock Exchange and the rules of the Securities and Exchange Commission. The Qualified Legal Compliance Committee is comprised of the members of the Audit Committee and the chair of the Corporate Governance, Nominating and Policy Committee, who also serves as the chair of the Committee. The Qualified Legal Compliance Committee will meet on a periodic basis, as needed, and did not meet during the year.

## **PROPOSAL 1: ELECTION OF DIRECTORS**

### ***Directors Elected Annually***

Sara Lee's directors are elected each year by the stockholders at the Annual Meeting. We do not have a staggered board. Ten directors will be elected at this year's Annual Meeting. Each director's term lasts until the 2008 Annual Meeting of Stockholders and until he or she is succeeded by another director who has been elected.



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Willie D. Davis is retiring from our Board of Directors at this year's Annual Meeting. Mr. Davis has served as a Sara Lee director for 24 years, and Sara Lee extends its heartfelt appreciation to Mr. Davis for his tremendous contributions to our success.

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***Information About the Nominees for Election to the Board of Directors***

The following information is furnished with respect to each nominee for election as a director. All of the nominees currently are directors, except Norman R. Sorensen. The nomination of Mr. Sorensen initially was recommended to Sara Lee's Corporate Governance, Nominating and Policy Committee by an executive recruiting firm that was retained by the Committee to assist it in identifying prospective directors.

If a nominee is unavailable to serve as a director, your proxies may vote for another nominee proposed by the Board, or the Board may reduce the number of directors to be elected at the Annual Meeting. The ages of the nominees are as of October 25, 2007.

**BRENDA C. BARNES** Chairman and Chief Executive Officer of Sara Lee Corporation since October 2005, President and Chief Executive Officer from February 2005 to October 2005, and President and Chief Operating Officer from July 2004 to February 2005. She has served as a director of Sara Lee since July 2004. Ms. Barnes served as the Interim President of Starwood Hotels and Resorts (hotel chain) from November 1999 to March 2000, and President and Chief Executive Officer of PepsiCola North America (soft drink manufacturer) from 1996 until 1998. Prior to that, she held various positions with several divisions of PepsiCo, Inc. from 1976 to 1996. Ms. Barnes is a member of the Board of Directors of The New York Times Company. Ms. Barnes also served as an adjunct professor at the Kellogg Graduate School of Business and at North Central College in 2002. She also serves on the Board of Trustees of Augustana College and is a member of the Steering Committee of the Kellogg Center for Executive Women. Age 53.

**CHRISTOPHER B. BEGLEY** Chairman and Chief Executive Officer of Hospira, Inc. (global specialty pharmaceutical and medication delivery company). Mr. Begley was elected Chairman in May 2007 and has served as Chief Executive Officer since Hospira was spun off from Abbott Laboratories on April 30, 2004. Prior to that, he served in various positions with Abbott, including as Senior Vice President, Hospital Products, from 2000 to April 2004, Senior Vice President, Chemical and Agricultural Products from 1999 to 2000, Vice President, Abbott Health Systems, from 1998 to 1999, and Vice President, MediSense Operations, in 1998. He became a director of Sara Lee in October 2006. Mr. Begley also serves as a director of the Executive's Club of Chicago, Healthcare Leadership Council, Economic Club of Chicago, Generic Pharmaceutical Association and AdvaMed. Age 55.

**VIRGIS W. COLBERT** Former Executive Vice President, Miller Brewing Company (brewer) from 1997 to December 2005. Mr. Colbert joined Miller Brewing in 1979 and served as Senior Vice President-Worldwide Operations from 1995 to 1997 and as Vice President Operations from 1993 to 1995. He became a director of Sara Lee in January 2006. Mr. Colbert serves as a director of The Manitowoc Company, Inc., Merrill Lynch & Co., Inc. and The Stanley Works. Age 68.

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**JAMES S. CROWN** President of Henry Crown and Company (diversified investments) since 2002 and Vice President from 1985 to 2002. He became a director of Sara Lee in 1998. Mr. Crown also is a director of General Dynamics Corporation and J.P. Morgan Chase & Co. He also serves as Chairman of the Board of Trustees of the University of Chicago, and is a trustee of the Chicago Symphony Orchestra and the Museum of Science and Industry (Chicago). Age 54.

**LAURETTE T. KOELLNER** Senior Vice President of The Boeing Company (aerospace manufacturer) and President of Boeing International since April 2006. Ms. Koellner served as President of Connexion by Boeing from December 2004 until April 2006, Chief People and Administration Officer of Boeing from 2002 to December 2004, a member of the Office of the Chairman from March 2002 to December 2003, Senior Vice President and President of Shared Services Group of Boeing from 2000 to 2002, Vice President and Corporate Controller of Boeing from 1999 to 2000, and as Vice President and General Auditor of Boeing from 1996 to 1999. Ms. Koellner became a director of Sara Lee in January 2003. Age 53.

**CORNELIS J.A. VAN LEDE** Former Chairman of the Board of Management and Chief Executive Officer of Akzo Nobel N.V. (manufacturer and distributor of healthcare products, coatings and chemicals) from 1994 to May 2003. Mr. van Lede joined Akzo Nobel in 1991 as a member of its Board of Management and he was appointed Vice Chairman of the Board of Management of Akzo Nobel in 1992. From 1991 to 1994, Mr. van Lede served as Vice President of the Union of Industrial and Employers' Confederations of Europe (UNICE), and from 1984 to 1991 he was Chairman of the Federation of Netherlands Industry (VNO). Mr. van Lede has been a director of Sara Lee since October 2002. He also serves as Chairman of the Supervisory Board of Heineken N.V. and as a member of the Supervisory Boards of Air France-KLM Holding, Philips Electronics and Stork. He is a non-executive director of Air Liquide. He is Chairman of the Board of Directors of INSEAD, and serves as a member of the Board of several non-profit organizations. Age 64.

**SIR IAN PROSSER** Retired Chairman of InterContinental Hotels Group PLC (hotel business). He held various offices with InterContinental Hotels Group PLC and its precursors, Six Continents PLC and Bass PLC, since 1969, including serving as Chairman from 1987 through December 2003, Chief Executive Officer from 1987 to 2000, Group Managing Director from 1984 to 1987, and Director of Finance and Planning from 1978 to 1984. Sir Ian has been a director of Sara Lee since October 2004. He also serves as non-executive Deputy Chairman of BP plc and as a non-executive director of GlaxoSmithKline plc. He is a member of the Confederation of British Industry's President's Committee. Age 64.

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**ROZANNE L. RIDGWAY** Former Assistant Secretary of State for European and Canadian Affairs (1985-1989) and, since July 1994, Chair (non-executive) of the Baltic American Enterprise Fund. Ambassador Ridgway became a director of Sara Lee in 1992. She served in the U.S. Foreign Service from 1957 until her retirement in 1989, including assignments as Ambassador for Oceans and Fisheries Affairs, Ambassador to Finland, and Ambassador to the German Democratic Republic. Ambassador Ridgway is a director of The Boeing Company, Emerson Electric Company, 3M Company and Manpower, Inc. She also services as a director or trustee of three funds in the American Funds family of mutual funds. Ambassador Ridgway is also a trustee of the Center for Naval Analyses and the National Geographic Society. Age 72.

**NORMAN R. SORENSEN** President and Chief Executive Officer of Principal International, Inc. and Senior Vice President of Principal Financial Group, Inc. since 2001, and Senior Vice President of Principal Life Insurance Company since 1998 (financial services and asset management). Prior to that, Mr. Sorensen served as a senior executive of American International Group, Inc. (insurance services) from 1989 to 1997. He serves as a director of the International Insurance Society, the U.S. Coalition of Service Industries, and the Pacific Basin Economic Council. Mr. Sorensen also is a member of the Financial Services Roundtable and the Council on Foreign Relations. Age 62.

**JONATHAN P. WARD** Chairman of the Chicago office of Lazard Ltd. (investment banking), and Managing Director, Lazard Freres & Co., LLC. Mr. Ward served as Chairman and Chief Executive Officer of The ServiceMaster Company (national service company) from 2002 to 2006, and President and Chief Executive Officer of ServiceMaster from 2001 to 2002. Mr. Ward was President and Chief Operating Officer of R.R. Donnelley & Sons Company (commercial printing company) from 1997 to 2001. He became a director of Sara Lee in October 2005. Age 53.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS YOU VOTE *FOR* ALL OF THE NOMINEES.**

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**DIRECTOR COMPENSATION**

Directors who are Sara Lee employees do not receive compensation for their services as directors. Following is a description of Sara Lee's compensation program for non-management directors in fiscal 2007. The Corporate Governance, Nominating and Policy Committee regularly reviews the compensation paid to non-management directors and recommends changes to Sara Lee's Board of Directors, as appropriate.

*Board Retainer* Non-management directors of Sara Lee receive an annual retainer of \$75,000 and an annual grant of restricted stock units (RSUs) with a fair market value of \$75,000 on the date of grant. RSUs granted prior to July 2005 vest three years after the date of grant and, upon vesting, each RSU will be converted into one share of Sara Lee common stock. Beginning with fiscal year 2006, RSUs granted to the non-management directors vest one year after the date of grant but will not be converted into shares of Sara Lee common stock until six months after the director leaves Sara Lee's Board. Non-management directors also may elect to receive Sara Lee common stock or RSUs in lieu of all or a portion of their annual cash retainer. Directors do not receive any meeting or attendance fees.

*Committee Retainer* Each non-management director who chairs a committee of the Board (other than the Audit Committee) receives an additional retainer of \$10,000 each year. The chair of the Audit Committee receives an additional \$20,000 retainer and each other non-management director who is a member of the Audit Committee receives an additional \$7,500 retainer. Committee retainers are paid 50% in cash and 50% in RSUs. Non-management directors also may elect to receive Sara Lee common stock or RSUs in lieu of all or a portion of their Committee cash retainer. RSUs granted to the non-management directors for Committee service vest one year after the date of grant but will not be converted into shares of Sara Lee common stock until six months after the director leaves Sara Lee's Board.

*Stock Ownership Guidelines* The Board strongly believes that the directors should have a meaningful ownership interest in Sara Lee and has implemented stock ownership guidelines for Sara Lee's directors. The ownership guidelines require directors to own a minimum of 20,000 shares of Sara Lee common stock (including unvested RSUs) within five years after a director is first elected to the Board.

*Deferred Compensation Program* Under Sara Lee's 1999 Non-Employee Director Stock Plan, non-management directors may elect to defer all or a portion of their annual retainer into a non-qualified, unfunded deferred compensation program. At the election of the director, amounts deferred under the Director Deferred Compensation Plan will earn a return equivalent to the return on an investment in (i) an interest-bearing account, earning interest based on the current cost to Sara Lee at the beginning of each plan year of issuing debt with a five-year maturity (the rate for fiscal 2007 was 6.22%), or (ii) a stock equivalent account, earning a return based on our stock price and accruing dividend equivalents. Any awards of RSUs that a non-management director elects to defer automatically are invested into the stock equivalent account. The amounts deferred, dividend equivalents and any appreciation or accrued interest are paid in cash or in shares of Sara Lee common stock, as applicable, on dates selected by the director. Sara Lee does not pay above market rates or preferential rates under its deferred compensation plans.

**Table of Contents****Fiscal 2007 Director Compensation Table**

Name	Fees Earned or Paid in Cash (\$)(1)	Stock Awards (\$)(2)	All Other Compensation (\$)(3)(4)	Total (\$)
J.T. Battenberg III *	27,917	27,920	10,000	65,837
Christopher B. Begley	50,000	50,015		100,015
Cynthia B. Carroll *	70,625	70,626		141,251
Charles W. Coker *	25,000	25,010	10,000	60,010
Virgis W. Colbert	75,000	75,002		150,002
James S. Crown	81,875	82,766	20,000	184,641
Willie D. Davis	78,750	78,743	5,000	162,493
Laurette T. Koellner	85,000	86,578		171,578
Cornelis J.A. van Lede	78,750	78,743	98,110	255,603
Sir Ian Prosser	78,750	78,743		157,493
Rozanne L. Ridgway	80,000	80,004	15,000	175,004
Richard L. Thomas *	26,667	26,673		53,340
Jonathan P. Ward	77,500	77,055	5,000	159,555

\* No longer serving as a director of Sara Lee on September 1, 2007. Each such director received a prorated portion of the annual Board and, if applicable, Committee retainer for fiscal 2007.

- (1) Represents the amount of cash compensation earned by each director in fiscal 2007 for Board and Committee service, including amounts Ms. Koellner and Mr. Ward elected to defer into the deferred compensation program, and amounts Messrs. Begley, Crown and Ward elected to receive in shares of Sara Lee common stock or RSUs.
- (2) Represents the expense recognized in accordance with Financial Accounting Standard ( FAS ) 123R for financial statement reporting purposes in fiscal 2007 with respect to the fair value of RSUs granted in fiscal 2007, which also represents the grant date fair value under FAS 123R for these awards. No expense was recognized under FAS 123R in fiscal 2007 for options or for RSUs granted in prior years. As described above, each non-management director receives an RSU award each year and also may elect to receive Sara Lee common stock or RSUs in lieu of all or a portion of his or her cash retainer. This column includes only the FAS 123R expense for non-elective RSU awards; any annual cash retainer that a director elects to receive in the form of Sara Lee common stock or RSUs is included in the Fees Earned or Paid in Cash column. The number of unexercised options and unvested RSUs held by each non-employee director at the end of fiscal 2007 is shown below. All options held by the current directors are fully vested.

Name	Number of Options	Number of Unvested RSUs
J.T. Battenberg III		
Christopher B. Begley		5,066
Cynthia B. Carroll		
Charles W. Coker	113,186	
Virgis W. Colbert		7,561
James S. Crown	91,751	19,169
Willie D. Davis	68,420	12,608
Laurette T. Koellner		13,331
Cornelis J.A. van Lede		12,526
Sir Ian Prosser		12,526
Rozanne L. Ridgway	66,535	12,809
Richard L. Thomas	99,779	
Jonathan P. Ward		13,823

- (3) For Messrs. Battenberg, Coker, Crown, Davis, van Lede, Ridgway and Ward, represents charitable contributions made by the Sara Lee Foundation on behalf of the director. Sara Lee or the Sara Lee Foundation will make charitable contributions of up to \$25,000 each fiscal year upon the request of a non-management director. These contributions include financial support for fundraising events and direct program grants. In addition, non-management directors may participate in Sara Lee's Matching Grants Program on the same basis as Sara Lee employees. Under the Matching Grants Program, the Sara Lee Foundation matches personal contributions made to eligible nonprofit organizations up to \$10,000 each calendar year. Both types of contributions are reflected in the table.
- (4) For Mr. van Lede, includes an annual retainer for serving as Chairman of the Supervisory Board of Sara Lee International B.V., a Dutch subsidiary of Sara Lee. During fiscal 2007, he received an annual retainer of Euro 60,000 (approximately \$80,760), and a representation allowance for expenses of Euro 5,446 (approximately \$7,350).

**Table of Contents****SARA LEE STOCK OWNERSHIP BY DIRECTORS AND EXECUTIVE OFFICERS**

This table indicates the amount of common stock beneficially owned by Sara Lee's executive officers, directors and director nominees as of September 1, 2007. In general, beneficial ownership includes those shares a director, director nominee or executive officer has the power to vote or transfer, and options that are exercisable currently or that become exercisable within 60 days. Except as otherwise noted, the persons named in the table below have sole voting and investment power with respect to all shares shown as beneficially owned by them. No person named in the table owns more than 1% of the outstanding shares of common stock or has pledged any shares of Sara Lee common stock as security.

Name	Shares of Common Stock	Options Currently Exercisable or Exercisable within 60 days	Restricted Stock Units and Stock Equivalents (1)
Brenda C. Barnes	177,729	763,519	597,848
Christopher B. Begley	5,078		5,066
Virgis W. Colbert	3,648		7,561
James S. Crown	79,145	91,751	19,169
Willie D. Davis	40,509	68,420	12,608
Christopher J. Fraleigh	19,758	30,318	115,842
Laurette T. Koellner	14,393		17,402
L.M. (Theo) de Kool	149,966	533,949	301,467
Cornelis J.A. van Lede	10,006		12,526
Adriaan Nühn	117,833	616,164	90,530
Roderick A. Palmore	88,636	249,034	152,113
Sir Ian Prosser	8,417		12,526
Rozanne L. Ridgway	26,570	66,535	12,809
Norman R. Sorensen (2)			
Jonathan P. Ward	1,771		14,443
Directors and executive officers as a group (20 persons)	847,768	2,692,069	1,784,005

- (1) Includes restricted stock units granted under Sara Lee's 1998 Long-Term Incentive Stock Plan and 1999 Non-Employee Director Stock Plan, and stock equivalent balances held under Sara Lee's Executive Deferred Compensation Plan and Director Deferred Compensation Plan. The value of the restricted stock units and stock equivalents mirrors the value of Sara Lee common stock. The amounts ultimately realized by the directors and executives will reflect changes in the market value of Sara Lee common stock from the date of deferral or accrual until the date of payout. The restricted stock units and stock equivalents do not have voting rights, but are credited with dividend equivalents. Restricted stock units vest and are converted into shares of common stock as the vesting period lapses or, for performance-based units, specific performance goals are achieved.
- (2) Mr. Sorensen is not currently a director; he is nominated for election at the Annual Meeting.

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**SARA LEE STOCK OWNERSHIP**  
**BY CERTAIN BENEFICIAL OWNERS**

The following table sets forth information regarding each person who, we believe, beneficially owned more than 5% of Sara Lee's outstanding common stock as of September 4, 2007. There are no arrangements known to Sara Lee that may result in a change in control of Sara Lee upon the occurrence of some future event.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Approximate Percentage of Class
AXA Financial, Inc.  1290 Avenue of the Americas  New York, New York 10104	52,057,515(1)	7.0%
Brandes Investment Partners, L.P.  11988 El Camino Real, Suite 500  San Diego, CA 92130	43,523,145(2)	5.9%
Capital Group International, Inc.  11100 Santa Monica Blvd.  Los Angeles, CA 90025	41,792,210(3)	5.6%

- (1) On February 13, 2007, in a joint filing with the Securities and Exchange Commission on Schedule 13G by AXA Financial, Inc.; AXA, which owns AXA Financial, Inc.; and AXA Assurances I.A.R.D. Mutuelle, AXA Assurances Vie Mutuelle and AXA Courtage Assurance Mutuelle (collectively AXA Mutuelle) which, as a group control AXA, AXA Mutuelle reported beneficial ownership as of December 31, 2006 of 52,092,081 shares of Sara Lee common stock. According to the filing, AXA Financial, Inc.'s subsidiary, AllianceBernstein L.P., has sole power to dispose or to direct the disposition of 51,951,856 shares, and sole power to vote or to direct the vote of 28,714,532 shares, all of which were acquired solely for investment purposes on behalf of client discretionary investment advisory accounts. AXA Rosenberg Investment Management LLC, as to which AXA serves as a parent holding company, has sole power to dispose or to direct the disposition of 90,787 shares, and sole power to vote or to direct the vote of 61,400 shares, all of which were acquired solely for investment purposes. AXA Financial, Inc.'s subsidiary, AXA Equitable Life Insurance Company, has sole power to dispose or to direct the disposition of 14,870 shares and sole power to vote or to direct the vote of 14,518 shares.
- (2) In a Form 13F filed with the Securities and Exchange Commission on May 15, 2007, Brandes Investment Partners, L.P. reported that as of March 31, 2007 it held sole investment and voting authority with respect to 43,523,145 shares of Sara Lee common stock. A Form 13F is required to be filed by certain institutional investment managers that exercise investment discretion with respect to accounts holding securities with an aggregate fair market value in excess of the amount specified by the SEC.
- (3) On February 12, 2007, Capital Group International, Inc. filed with the Securities and Exchange Commission a Schedule 13G in which it reported that it beneficially owns 41,792,210 shares of Sara Lee common stock. The Schedule 13G states that Capital Group International holds these shares in its capacity as an investment management company to various investment companies registered under the Investment Company Act of 1940 and institutional accounts.

**EXECUTIVE COMPENSATION**

*Compensation Discussion and Analysis*



*Executive Compensation Objectives*

Sara Lee's executive compensation program is based upon achieving the following objectives:

Providing a total compensation opportunity that allows the company to attract, retain and motivate talented employees to achieve exceptional business results

Ensuring that the total compensation package is competitive in comparison with our peers, that incentive programs are performance-based and that the programs are consistent with the highest standards of good corporate governance and best practices within the industry

Aligning the program with the long-term best interests of our stockholders

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At Sara Lee, we believe in measuring not only what is achieved but also how it is achieved. To that end, our compensation objectives are seen as an integrated part of a pay-for-performance culture which includes our Performance Management Process and Global Business Practices. The Performance Management Process is a top-down process of cascading and aligning our business goals throughout the organization and measuring progress against the completion of those goals. This process includes the monitoring of the leadership values exhibited by our employees so we can assess how goals are being achieved. In addition, our Global Business Standards set forth the fundamental ethical and legal responsibilities that all Sara Lee employees are expected to uphold. These standards are also embedded in the day-to-day administration of the company's compensation programs. Sara Lee believes in the transparency of its compensation practices so that both its employees and stockholders understand these programs and how the programs can affect business results and vice versa.

### *Components of Total Compensation*

The components of Sara Lee's executive compensation program and the purpose of each component are shown in the table below along with Sara Lee's target competitive position for each component. All target positions are expressed in relationship to the median value of those peer companies against which Sara Lee competes for executive talent. We measure our programs' competitiveness both by individual benchmark positions as well as by salary grades, which are composed of many positions that we consider to have similar responsibilities. Sara Lee defines a market competitive position as being within plus or minus 15% of the market median value, which then becomes the market target opportunity range. We do not advocate a specific percentile relationship of actual pay to market pay as some companies do, e.g., we do not strive to be in the 75<sup>th</sup> percentile on actual pay. We intend to provide a target level *total* compensation opportunity that falls within the target opportunity range. However, the actual value delivered to any executive may be above or below that range depending upon business unit financial results, Sara Lee's stock price performance and the individual's performance.

<b>Compensation Component</b>	<b>Target Competitive Position</b>	<b>Purpose</b>
Salary	Equal to median of peer group	Fixed component of pay intended to compensate the individual fairly for the responsibility level of the position held.
Annual incentives	Target annual incentive opportunities are set in relationship to the peer group median, with actual payouts either exceeding or being less than market median based upon actual business unit and individual performance.	Variable component of pay intended to motivate and reward the individual's contribution to achieving the company's short-term/annual objectives.
Long-term incentives	Target opportunities are set in relationship to the peer group median and actual payouts will either exceed or be less than market median based upon Sara Lee's stock price performance.	Variable component of pay intended to motivate and reward the individual's contribution to achieving the company's long-term objectives.
Retirement and other benefits	Equal to median of peer group	Fixed component of pay intended to protect against catastrophic expenses (healthcare, disability and life insurance) and provide opportunity to save for retirement (pension and 401(k)).
Perquisites	Less than or equal to market median	Fixed component of pay intended to provide an economic benefit to the company in attracting and retaining executive talent.
Post-Termination Compensation (Severance and Change-In-Control)	Equal to median of peer group	Fixed component of pay intended to provide a temporary income source following an executive's involuntary termination and in the case of a change-in-control to also provide continuity of management during that event.

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***Benchmarking Executive Compensation Competitiveness***

One of the key objectives of the executive compensation program is to ensure that the total compensation package is competitive in comparison to our peer companies. Sara Lee has identified the following companies as its peer group for this purpose:

Campbell Soup Company	Hormel Foods Corporation
The Clorox Company	Kellogg Company
The Coca-Cola Co.	Kimberly-Clark Corporation
Colgate-Palmolive Company	Kraft Foods, Inc.
ConAgra Foods Inc.	Nestlé S.A.
General Mills, Inc.	PepsiCo Inc.
Group Danone	The Procter & Gamble Co.
H. J. Heinz Company	Unilever N.V.
The Hershey Company	Wm. Wrigley Jr. Company

The peer group is regularly reviewed and changed, if necessary, with the approval of the Compensation and Employee Benefits Committee of the Board of Directors (the Compensation Committee). This peer group was approved by the Compensation Committee and is representative of the companies with which we compete for executive talent and share similar industry profiles. Also, many of these companies and Sara Lee participate in the same independent compensation surveys, which assists us in making accurate compensation comparisons. The group above is used for comparisons of all components of the compensation and benefits package.

Sara Lee relies on various sources of compensation and benefits survey data, other than proxy data for named executive officers. We most often use survey data from consulting firms such as Hewitt Associates LLC, Mercer Human Resource Consulting, Towers Perrin HR Services and the HayGroup. We have a high confidence level in the accuracy and confidentiality standards applied to the data produced in these surveys by these organizations. When analyzing compensation data, statistical techniques such as regression analysis are typically used to adjust the data for differences in company size. During this benchmarking process the company measures its actual pay levels within each compensation component and in the aggregate. The company also reviews the mix of its compensation components with respect to fixed vs. variable, short vs. long-term and cash vs. equity-based pay. This information is presented periodically to the Compensation Committee for its review and approval.

***Mix of Compensation Components***

Each year, the Compensation Committee, as a part of its benchmarking exercise, conducts a review of the relative mix of our compensation components to those of our peer companies. Specifically, we review the total direct compensation opportunity (i.e., the sum of salary, target annual and target long-term incentives) in the following categories:

Fixed versus variable

Short-term versus long-term

Cash versus equity-based

The Compensation Committee's goal, with respect to each of these categories, is to allocate the total direct compensation in a manner that is market competitive with our peer group. The Compensation Committee believes that this is appropriate because the peer group is the group of companies with which we compete for executive talent. The Compensation Committee also believes that the allocations that result from this approach

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are effective in motivating management to maximize stockholder value. The allocations that applied with respect to fiscal year 2007 appear in the chart below.

**Information Related to CEO's Position**

	Salary	\$1,000,000	
	Target Annual Incentive Value	\$2,000,000	
	Target Long-Term Incentive Value	\$7,000,000	
	Total Direct Compensation Opportunity	\$10,000,000	
<b>Fixed 10%</b>	<b>Short-term 30%</b>		<b>Cash 30%</b>
(Salary)	(Salary + Annual Incentive Value)		(Salary + Annual Incentive Value)
<b>Variable 90%</b>	<b>Long-term 70%</b>		<b>Equity-Based 70%</b>
(Annual + Long-Term Incentive Value)	(Long-Term Incentive Value)		(Long-Term Incentive Value)

**Information Related to Other Named Executive Officers**

(Since the compensation of other four named executive officers varies,

we have summarized the ranges of each of the above categories)

<b>Fixed 21%</b>	<b>25%</b>	<b>Short-term 49%</b>	<b>59%</b>	<b>Cash 49%</b>	<b>59%</b>
(Salary)		(Salary + Annual Incentive Value)		(Salary + Annual Incentive Value)	
<b>Variable 75%</b>	<b>79%</b>	<b>Long-term 41%</b>	<b>51%</b>	<b>Equity-Based 41%</b>	<b>51%</b>
(Annual + Long-Term Incentive Value)		(Long-Term Incentive Value)		(Long-Term Incentive Value)	

The differences between the allocation for our Chief Executive Officer and the other executive officers of Sara Lee whose names appear in the Fiscal 2007 Summary Compensation Table on page 31 (the named executive officers) are primarily a result of the differences in allocation practices in our peer group, as determined from the benchmarking studies described earlier in this Compensation Discussion and Analysis.

***Salary***

Salary is the fixed component of compensation and the company targets a median overall relationship to market in this pay component. An executive's salary is initially set based upon the position's level of responsibility and the executive's experience and is determined by reference to a specific salary grade that has both a salary range minimum and maximum. Based upon competitive analyses completed in April 2007, we determined the overall market position for Sara Lee executives in the United States to be approximately 93% of our peer group median, which is within our target competitive range of plus or minus 15% of the market median. The company's merit increase budget for fiscal year 2007 was 3.0%; however, all of the named executive officers agreed to forego salary increases during fiscal year 2007. Ms. Barnes' salary was set at \$1,000,000 on February 1, 2005 when she was elected to President and Chief Executive Officer of Sara Lee. She has foregone any increase in her salary during fiscal years 2006 and 2007 and has again foregone a salary increase in fiscal year 2008. Mr. Fraleigh received a 5.0% salary increase effective February 1, 2007, in conjunction with his promotion to an Executive Vice President of Sara Lee.

*Annual Incentives*

Sara Lee's annual incentive program is designed to motivate and reward executives in achieving our annual financial performance objectives. It is composed of two inter-related plans; the Performance-Based Annual Incentive Plan, which is a stockholder approved plan providing an overall limit on annual incentive payments for named executive officers, and the Annual Incentive Plan, which is a Board-approved and Compensation Committee-administered plan for determining actual incentive awards each year for hundreds of key employees, including the named executive officers.

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Sara Lee's current Performance-Based Annual Incentive Plan was approved by stockholders in 1995 and was created so that the company's annual incentive awards would qualify as performance-based and therefore be tax-deductible under section 162(m) of the Internal Revenue Code. The Performance-Based Annual Incentive Plan establishes the maximum bonus amount payable to each participant for the performance period; however, the Compensation Committee usually exercised its discretion to reduce the bonus amounts payable to the amounts determined by the Annual Incentive Plan. For fiscal year 2007, the maximum tax-deductible annual incentive payment for the Chief Executive Officer, was \$1,371,600, and for each of the other named executive officers, except the Chief Financial Officer, was \$1,066,785. Under current guidance by the Internal Revenue Service, chief financial officers are not subject to the tax-deduction limits of Internal Revenue Code Section 162(m).

The Annual Incentive Plan is a sub-plan under the Performance-Based Annual Incentive Plan. It provides participants, including the named executive officers, with annual cash incentive opportunities for the achievement of goals that are set within the first 90 days of each fiscal year. The Annual Incentive Plan provides target payout opportunities that are expressed as a percentage of a participant's fiscal year salary. Payout opportunities increase with the participants' salary grade level, which is consistent with Sara Lee's compensation philosophy of increasing the level of pay at risk for higher level positions.

Ms. Barnes' target opportunity under the Annual Incentive Plan is 200% of her fiscal year salary, with a range of payout levels from 0% to 150% of her 200% target opportunity. This target annual incentive opportunity was arrived at based upon the Compensation Committee's review of peer group benchmark data and the advice of its consultant. The other named executive officers have Annual Incentive Plan opportunities that are less than Ms. Barnes' and which were also based upon competitive benchmarking and then reviewed and approved by the Compensation Committee.

The Annual Incentive Plan performance measures, which apply to all of the named executive officers, and their approximate weighting within the Plan, are shown in the table below.