Hillshire Brands Co
Form DEF 14A
September 14, 2012
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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 x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

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

x Definitive Proxy Statement

¨ Definitive Additional Materials

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

THE HILLSHIRE BRANDS COMPANY

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(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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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

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(3) Filing Party:

(4) Date Filed:

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September 14, 2012

Dear Hillshire Brands Stockholder:

It is my pleasure to invite you to The Hillshire Brands Company s 2012 Annual Meeting of Stockholders. This year s meeting will be held on Thursday, October 25, 2012 at 9:30 a.m. (CDT), in the Indian Lakes Resort/Hilton, 250 W. Schick Road, Bloomingdale, IL. 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 again furnish our proxy materials to you over the Internet. We believe that this e-proxy process expedites stockholders receipt of proxy materials, while also lowering the costs and reducing the environmental impact of our annual meeting. On September 14, 2012, we mailed to our U.S. and Canadian stockholders a Notice containing instructions on how to access our 2012 proxy statement and annual report and vote online. All other stockholders will 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 next year, if you received them by mail this year.

Your vote is important. We encourage you to vote promptly, whether or not you plan to attend the meeting. 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 vote by signing, dating and mailing the proxy card in the envelope provided. Instructions regarding these three methods of voting are contained on the Notice or proxy card.

We look forward to seeing you at the Annual Meeting.

Sincerely,

Christopher B. Begley

Chairman

Important Notice Regarding the Availability of Proxy Materials for

the Annual Meeting to be held on October 25, 2012

Hillshire Brands proxy statement and 2012 annual report are available at *www.hillshirebrands.com/annualmeeting*.

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NOTICE OF THE 2012

ANNUAL MEETING OF STOCKHOLDERS

The 2012 Annual Meeting of Stockholders of The Hillshire Brands Company will be held on Thursday, October 25, 2012, at 9:30 a.m. (CDT), in the Indian Lakes Resort/Hilton, 250 W. Schick Road, Bloomingdale, Illinois 60108 for the following purposes:

1. to elect the 10 directors named in the attached proxy statement;

2. to vote on the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accountants for fiscal year 2013;

3. to hold an advisory vote to approve executive compensation;

4. to vote on the approval of The Hillshire Brands Company 2012 Long-Term Incentive Stock Plan; 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, 2012 are entitled to notice of and to vote at the Annual Meeting.

Your vote is important. Please note that if you hold your shares through a broker, your broker cannot vote your shares on the election of directors in the absence of your specific instructions as to how to vote. In order for your vote to be counted, please make sure that you submit your vote to your broker.

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
Kent B. Magill
Executive Vice President, General Counsel and

Corporate Secretary

September 14, 2012

ADMISSION TO THE 2012 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 Hillshire Brands common stock as of the close of business on September 4, 2012 will be entitled to attend the meeting. An admission ticket will serve as verification of your ownership.**

If your Hillshire Brands 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 Hillshire Brands 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 Hillshire Brands 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 Hillshire Brands common stock on September 4, 2012.

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

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INFORMATION ABOUT THE HILLSHIRE BRANDS COMPANY

Hillshire Brands is a leader in meat-centric food solutions for the retail and food service markets. 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. Beginning in January 2013, the address of our principal executive office will be 400 S. Jefferson Street, Chicago, Illinois 60607. Our corporate Web site is located at *www.hillshirebrands.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, 2012, at 9:30 a.m. (CDT), in the Indian Lakes Resort/Hilton, 250 W. Schick Road, Bloomingdale, IL 60108. The telephone number of the Indian Lakes Resort is +1.630.529.0200. The doors to the meeting room will open for admission at 9:00 a.m. Directions to Indian Lakes Resort are posted at *www.hillshirebrands.com*.

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 Hillshire Brands common stock as of the close of business on September 4, 2012 will be entitled to attend the meeting. An admission ticket will serve as verification of your ownership.** No cameras, recording devices or large packages will be permitted in the meeting room.

Under appropriate circumstances, we may provide assistance or a reasonable accommodation to attendees of the Annual Meeting who require assistance to gain access to the meeting or to receive communications made at the meeting. If you would like to request such assistance or accommodation, please contact our Investor Relations Department at The Hillshire Brands Company, 3500 Lacey Road, Downers Grove, Illinois 60515-5424, or at +1.630.598.8100 regarding your request as far in advance of the Annual Meeting as possible. Please note that we may not be able to accommodate all requests.

Information About this Proxy Statement

Why you received this proxy statement. You have received these proxy materials because Hillshire Brands 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 (the SEC) and that is designed to assist you in voting your shares. On September 14, 2012, we mailed to our U.S. and Canadian stockholders of record as of the close of business on September 4, 2012 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 Hillshire Brands 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 Hillshire Brands transfer agent, Computershare Shareowner Services LLC, at +1.888.422.9881 (toll free) or +1.201.680.6678 (international), or *shrrelations@cpushareownerservices.com.*

Notice of Electronic Availability of Proxy Statement and Annual Report. As permitted by SEC rules, Hillshire Brands is making this proxy statement and its annual report available to its stockholders electronically via the Internet. On September 14, 2012, 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 contained on the Notice.

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Householding. SEC 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 Notice or set of Annual Meeting materials 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 Notice or Annual Meeting materials, 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 or Annual Meeting materials 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* by following the instructions on the Notice or 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, 2012. If you hold shares in the Hillshire Brands Common Stock Fund under any of Hillshire Brands retirement or savings plans, your voting instructions for those shares must be received by 5:00 p.m. (EDT) on October 22, 2012 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. ***Please note that if you hold your shares through a broker, your broker cannot vote your shares on the election of directors in the absence of your specific instructions as to how to vote. In order for your vote to be counted, please make sure that you submit your vote to your broker.***

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 10 nominees for directors named in this proxy statement;

FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accountants for fiscal year 2013;

FOR the advisory vote to approve executive compensation; and

FOR approval of The Hillshire Brands Company 2012 Long-Term Incentive Stock Plan.

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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 Hillshire Brands Corporate Secretary, Kent B. Magill. Your most current proxy card or telephone or Internet proxy is the one that is counted.

Each share of Hillshire Brands 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, 2012. As of September 4, 2012, there were 122,048,797 shares of Hillshire Brands common stock outstanding.

Information for Hillshire Brands Employees Who are Stockholders

If you are a Hillshire Brands employee who is a stockholder, or if you hold shares in the Hillshire Brands Common Stock Fund under any of Hillshire Brands retirement or savings plans (the Savings Plans) or participate in The Hillshire Brands Company 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, 2012.**

Information Regarding Tabulation of the Vote

Hillshire Brands 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 Hillshire Brands 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 Hillshire Brands 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 for 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 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. Hillshire Brands Bylaws require that, in uncontested elections, each director be elected by the majority of votes cast with respect to such director. This 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 and broker non-votes 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 Hillshire Brands Board as a holdover director. However, under our Corporate Governance Guidelines, each holdover director is required to tender his or her resignation to

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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 proposal other than the election of directors, the affirmative vote of a majority of votes cast on the proposal is necessary for approval. Abstentions and broker non-votes will have no effect on 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.

Spin-Off of International Coffee and Tea Business

On June 28, 2012, Hillshire Brands (then named Sara Lee Corporation) completed the spin-off of its international coffee and tea business by distributing 100% of the outstanding shares of common stock of the U.S. subsidiary holding the international coffee and tea business (CoffeeCo) to holders of the Company s common stock (the Spin-Off). After the Spin-Off, CoffeeCo merged with a subsidiary of D.E. MASTER BLENDERS 1753 N.V., a Dutch company (DEMB), and each share of CoffeeCo was exchanged for one ordinary share of DEMB. Immediately after the Spin-Off, Sara Lee Corporation completed a 1-for-5 reverse stock split of its shares of common stock (the Reverse Stock Split) and changed its name to The Hillshire Brands Company. In this proxy statement, the term Hillshire Brands or the company refers both to The Hillshire Brands Company and its predecessor company, Sara Lee Corporation.

CORPORATE GOVERNANCE

Corporate Governance Guidelines

Hillshire Brands has adopted Corporate Governance Guidelines, which are available at *www.hillshirebrands.com* on the Investor Relations page under the link Corporate Governance. The Guidelines contain general principles regarding the functions of Hillshire Brands Board of Directors and Board Committees.

Director Independence

Hillshire Brands 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 Hillshire Brands. The Board has adopted categorical standards to assist it in making determinations regarding independence. These standards are contained in Hillshire Brands Corporate Governance Guidelines and conform to and exceed the independence criteria specified by the New York Stock Exchange. These categorical standards specify the criteria by which the independence of Hillshire Brands directors will be determined, including whether a director or any member of the director s immediate family has any past employment or affiliation with Hillshire Brands or Hillshire Brands independent registered public accountants.

After considering these categorical standards, the listing standards of the New York Stock Exchange and any other relationships between the directors and Hillshire Brands, the Board determined that (i) current directors

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Todd A. Becker, Christopher B. Begley, Ellen L. Brothers, Virgis W. Colbert, Laurette T. Koellner, Sir Ian Prosser and Jonathan P. Ward are independent, (ii) director nominees Craig P. Omtvedt and James D. White are independent, and (iii) former directors Crandall C. Bowles, James S. Crown, Cornelis J.A. van Lede, Dr. John McAdam, Norman R. Sorensen and Jeffrey W. Ubben were independent during the time that he or she served as a director. Sean M. Connolly is not independent because he is an executive officer of Hillshire Brands, and former director Jan Bennink was not independent during the time that he served as a director because he was an executive officer of Hillshire Brands.

Process for Nominating Potential Director Candidates

The Corporate Governance, Nominating and Policy Committee of Hillshire Brands 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 Hillshire Brands Corporate Governance Guidelines, which are available at *www.hillshirebrands.com* on the Investor Relations page under the link Corporate Governance. The Committee also considers diversity among the existing board members, including racial and ethnic background and gender, as outlined in the Board Membership Criteria section of the Corporate Governance Guidelines.

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 Hillshire Brands Bylaws if the stockholder wished to nominate the candidate directly. From time to time the Committee also retains search firms to assist it in identifying potential director candidates. 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 Hillshire Brands Corporate Secretary, Kent B. Magill, at The Hillshire Brands Company, 3500 Lacey Road, Downers Grove, Illinois 60515-5424 (or, beginning in January 2013, at The Hillshire Brands Company, 400 S. Jefferson Street, Chicago, Illinois 60607).

Code of Conduct

Hillshire Brands Global Business Standards, the company s written corporate code of business conduct and ethics, embody Hillshire Brands long-standing history of requiring adherence to high standards of ethical conduct and business practices. The Global Business Standards are available on Hillshire Brands Web site at *www.hillshirebrands.com* on the Our Company page under the link Business Practices. All of Hillshire Brands 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 Hillshire Brands 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:

Through December 2012:	*As of January 2013:*

Board of Directors	Board of Directors
(or specific Committee Chair or director)	(or specific Committee Chair or director)
c/o Kent B. Magill, Corporate Secretary	c/o Kent B. Magill, Corporate Secretary
The Hillshire Brands Company	The Hillshire Brands Company
3500 Lacey Road	400 S. Jefferson Street
Downers Grove, Illinois 60515-5424	Chicago, Illinois 60607

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Hillshire Brands Board of Directors has instructed the Corporate Secretary to forward communications to the Board or to individual directors, as appropriate; however, the Board also has instructed the Corporate 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, 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 Hillshire Brands Global Business Standards or concerns regarding Hillshire Brands accounting, internal accounting controls or auditing matters. Reports may be made by sending an email to *business.practices@hillshirebrands.com*, posting a report at *www.hillshirebrandsresourceline.com* or by calling +1.800.285.7964 (available toll-free outside the U.S. using the local AT&T Direct access number).

Board Leadership Structure

The position of Chairman of the Board of Hillshire Brands is held by a non-management director, Christopher B. Begley, whom the Board has determined is independent from the company within the meaning set forth in the New York Stock Exchange listing standards. The Board implemented this leadership structure in connection with the completion of the Spin-Off in June 2012. We believe this structure is optimal for Hillshire Brands at this time because it allows the Chief Executive Officer to focus on his management responsibilities in continuing to lead the Company through a time of significant transition following the Spin-Off. At the same time, the Chairman of the Board can focus on the overall strategy of the business and leadership of the Board of Directors.

Executive Sessions

Pursuant to Hillshire Brands Corporate Governance Guidelines, non-management directors meet in regularly scheduled executive sessions without management. The Chairman, who is a non-management director, chairs all regularly scheduled executive sessions of the Board and also has authority to convene meetings of the non-management directors at any time with appropriate notice.

Risk Oversight

Hillshire Brands Board of Directors has overall responsibility for risk oversight. Each year, Hillshire Brands management and the Board jointly develop and prioritize a list of the most significant risks facing the company. Throughout the year, the Board and committees of the Board dedicate a portion of their meetings to reviewing and discussing specific risks in greater detail. The Board as a whole exercises oversight responsibilities with respect to strategic, operational and competitive risks, risk policies and processes relating to capital, credit and liquidity, and risks related to succession of our Chief Executive Officer and other members of senior management. The Board also has delegated responsibility for the oversight of specific risks to Board committees. The Audit Committee oversees Hillshire Brands risk policies and processes relating to our financial statements and financial reporting processes, regulatory compliance and commodity purchasing practices. The Corporate Governance, Nominating and Policy Committee oversees risks related to Hillshire Brands governance structure and arising from related person transactions, and oversees processes and risks related to regulatory or legislative risks, our public policy initiatives and similar matters. The Compensation and Employee Benefits Committee provides oversight of risk policies and processes relating to the management of our pension plans and risks that may be created by our compensation programs and management resources, structure and succession planning.

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Compensation Risk

The Compensation and Employee Benefits Committee has undertaken, with the assistance of its independent compensation consultant, a comprehensive review of compensation policies and practices throughout Hillshire Brands to assess the risks presented by such policies and practices. Based on this review, we have determined that such policies and practices are not reasonably likely to have a material adverse effect on Hillshire Brands. In reaching this determination, we have taken into account the following design elements of our compensation programs and policies and practices: mixture of cash and equity opportunities, mixture of performance time horizons, mixture of time-based and performance-based pay vehicles, use of financial metrics that are easily capable of audit, avoidance of uncapped rewards, use of stock ownership requirements at senior management levels, a broad clawback policy and a rigorous auditing, monitoring and enforcement environment.

Attendance at Annual Meeting

As stated in Hillshire Brands Corporate Governance Guidelines, each director is expected to attend all annual meetings of stockholders. All of the directors who were then serving on the Board attended the 2011 annual meeting.

Governance Documents

All of Hillshire Brands current corporate governance documents and policies, including its Corporate Governance Guidelines, committee charters and Global Business Standards, are available at *www.hillshirebrands.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 beneficial owners of 5% or more of our common stock. Under the written policy, Hillshire Brands Corporate Governance, Nominating and Policy Committee is responsible for reviewing and approving any related person 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;
- 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 Hillshire Brands 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 Hillshire Brands.

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

Relationship with Executive Compensation Consultant

Hillshire Brands Compensation and Employee Benefits Committee (the Committee) has retained Frederic W. Cook & Co., Inc. (FWCook) as its independent executive compensation consultant. FWCook reports directly to the Committee, and the Committee may replace FWCook or hire additional consultants at any time. A representative of FWCook attends meetings of the Committee, as requested, and communicates with the

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Chair of the Committee between meetings; however, the Committee makes all decisions regarding the compensation of Hillshire Brands executive officers. None of Hillshire Brands management participated in the Committee s decision to retain FWCook as the Committee s independent executive compensation consultant.

FWCook provides various executive compensation services to the Committee with respect to Hillshire Brands executive officers and other key employees pursuant to a written consulting agreement with the Committee. The services FWCook provides under the agreement include advising the Committee on the principal aspects of Hillshire Brands executive compensation program and evolving best practices, and providing market information and analysis regarding the competitiveness of Hillshire Brands program design and Hillshire Brands award values in relationship to its performance.

The Committee regularly reviews the services provided by its outside consultant and believes that FWCook is independent in providing executive compensation consulting services to the Committee. The scope of FWCook 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, FWCook agrees to advise the Chair of the Committee if any potential conflicts of interest arise that could cause FWCook s independence and loyalty to be questioned, and to not undertake any projects for Hillshire Brands management except at the request of the Committee Chair and as agent for the Committee.

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MEETINGS AND COMMITTEES OF THE BOARD

The Board of Directors held eleven meetings during fiscal 2012 and has the following standing committees: Audit, Compensation and Employee Benefits, Corporate Governance, Nominating and Policy, Executive and Qualified Legal Compliance. The following table shows the current membership of these committees. All of the directors attended at least 75% of the total of all the meetings of the Board and Board committees on which he or she served during fiscal 2012. Director nominees Craig P. Omtvedt and James D. White will be appointed to committees after their election.

Each standing Board committee operates pursuant to a written charter. Copies of the committee charters are available on Hillshire Brands Web site at *www.hillshirebrands.com* on the Our Company page under the link Board of Directors Committee Charters.

Name	**Audit**	**Compensation and Employee Benefits**	**Corporate Governance, Nominating and Policy**	**Executive**
Todd A. Becker	X			
Christopher B. Begley	X		X	X*
Ellen L. Brothers		X		
Virgis W. Colbert		X	X	
Sean M. Connolly				X
Laurette T. Koellner	X*		X	X
Sir Ian Prosser	X		X*	X
Jonathan P. Ward		X*	X	X

* Committee Chair

Audit Committee. The Audit Committee assists the Board of Directors in its oversight of Hillshire Brands accounting and financial reporting principles and policies and internal controls and procedures; the integrity of Hillshire Brands financial statements and the independent audit thereof; compliance with legal and regulatory requirements and Hillshire Brands compliance programs; and the evaluation of the qualifications, independence and performance of Hillshire Brands independent registered public accountants and lead audit partner, and the performance of Hillshire Brands internal audit function. The Audit Committee met nine times during the year and regularly meets privately with the head of the internal audit department and with the independent registered public accountants. 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 SEC rules. 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 SEC rules.

Compensation and Employee Benefits Committee. The Compensation and Employee Benefits Committee (the Compensation Committee) reviews and approves Hillshire Brands compensation philosophy covering corporate officers and other senior management employees; reviews the competitiveness of Hillshire Brands 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 senior management employees; approves the terms and conditions of proposed incentive plans applicable to corporate officers and other senior management employees; approves and administers Hillshire Brands employee benefit plans; oversees the management of our retirement plans; and reviews and approves special hiring and severance arrangements for corporate officers and other senior management employees. The Compensation Committee has delegated to the Committee Chair

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responsibility for the review and approval of any corporate officer s, or other designated senior executive s, hiring, severance or relocation arrangement that deviates materially from Hillshire Brands standard policies, procedures and programs. The Compensation Committee also may form and delegate authority to subcommittees or the Chair when it deems appropriate. The Compensation 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 Compensation Committee met seven times during the year.

Corporate Governance, Nominating and Policy Committee. The Corporate Governance, Nominating and Policy Committee reviews and considers corporate governance policies and practices from time to time; evaluates potential director candidates and recommends qualified candidates to the full Board; and reviews the executive resources and oversees Hillshire Brands 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 matters 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.

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 Hillshire Brands, 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 Hillshire Brands 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 SEC rules. 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 meets on an as needed basis, and did not meet during the year.

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PROPOSAL 1: ELECTION OF DIRECTORS

Directors Elected Annually

Hillshire Brands 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 will last until the 2013 Annual Meeting of Stockholders and until he or she is succeeded by another director who has been elected.

Information about the Nominees for Election to the Board of Directors

Board Composition. We believe that our directors should possess the highest personal and professional integrity and values, and be committed to representing the long-term interests of our stockholders. We further believe that the backgrounds and qualifications of our directors, considered as a group, should provide a blend of business experience and competence, and professional and personal abilities, that will allow the Board to fulfill its responsibilities. The Corporate Governance, Nominating and Policy Committee works with the Board to determine the appropriate mix of these backgrounds and qualifications that would establish and maintain a Board with strong collective abilities. Although it does not have a written policy, the Board considers diversity among the existing Board members, including racial, ethnic background and gender diversity, when identifying and evaluating nominees for directors.

To fulfill these objectives, the Board has determined that it is important to nominate directors with the skills and experiences set forth below, among others. The experiences, qualifications and skills that the Board considered in each director s re-nomination are included in their individual biographies.

Leadership Experience. We believe that directors with experience in significant leadership positions over an extended period, especially CEO positions, generally possess strong abilities to motivate and manage others and to identify and develop leadership qualities in others. They also generally possess a practical understanding of organizations, processes, strategy, risk management and the methods to drive change and growth.

Financial or Accounting Acumen. We believe that an understanding of finance and financial reporting processes enables our directors to evaluate, and understand the impact of business decisions on, our financial statements and capital structure. In addition, accurate financial reporting and robust auditing are critical to our ongoing success.

Industry Experience. We seek to have directors with experience as executives, directors or in other leadership positions in industries relevant to our business, including consumer packaged goods, branded products, retail or consumer product manufacturing.

Operational Experience. We believe that directors who are current or former executives with direct operational responsibilities bring valuable practical insight to helping develop, implement and assess our operating plan and business strategy. Operational experience includes experience in areas such as marketing, supply chain, sustainability and commodity management.

Public Company Board and Corporate Governance Experience. Directors with experience as executives or directors of other publicly traded companies generally are well prepared to fulfill the Board s responsibilities of overseeing and providing insight and guidance to management, and help further our goals of greater transparency, accountability for management and the Board, and protection of stockholder interests.

In addition, when evaluating the suitability of individuals for nomination, the Corporate Governance, Nominating and Policy Committee considers other appropriate factors, including whether the individual satisfies applicable independence requirements.

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Director Nominees. The following information is furnished with respect to each nominee for election as a director. All of the nominees currently are directors, except Craig P. Omtvedt and James D. White. Todd A. Becker and Ellen L. Brothers were elected to the Board on June 28, 2012, immediately after the Spin-Off was completed. The nominations of Messrs. Becker, Omtvedt and White and Ms. Brothers initially were recommended to the Board by an executive recruiting firm retained by the Board 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, 2012.

TODD A. BECKER President and Chief Executive Officer of Green Plains Renewable Energy, Inc. (ethanol producer) since January 2009 and a director since March 2009. He previously served as President and Chief Operating Officer of Green Plains from October 2008 to December 2008 and as Chief Executive Officer of VBV LLC (precursor to Green Plains) from May 2007 to October 2008. Prior to that Mr. Becker was Executive Vice President of Sales and Trading at Global Ethanol (ethanol producer) from May 2006 to May 2007, and before that worked for ten years with ConAgra Foods (consumer food company) in various management positions including Vice President of International Marketing for ConAgra Trade Group and President of ConAgra Grain Canada. Mr. Becker became a director of Hillshire Brands in June 2012. Age 47.

Director Qualifications

Leadership, Industry, Operational and Public Company Board and Corporate Governance Experience, Financial or Accounting Acumen serves as chief executive officer and as a director of a publicly traded company; previously served in management of a large consumer food company; over 10 years of experience in commodity procurement.

CHRISTOPHER B. BEGLEY Retired Executive Chairman of Hospira, Inc. (global specialty pharmaceutical and medication delivery company) from March 2011 to January 2012. Mr. Begley was elected Chairman of Hospira in May 2007 and served as Chief Executive Officer from April 30, 2004, when Hospira was spun off from Abbott Laboratories (health care products), to March 2011. 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 Hillshire Brands in October 2006. Mr. Begley also serves as a director of Devry Inc. and Zimmer Holdings, Inc. Age 60.

Director Qualifications

Leadership, Operational and Public Company Board and Corporate Governance Experience, Financial or Accounting Acumen previously served as Chairman and Chief Executive Officer of a publicly traded company; serves as a director of other publicly traded companies.

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ELLEN L. BROTHERS. Executive Vice President of Mattel, Inc. (toy products) and President, American Girl (a subsidiary of Mattel) since July 2000. Prior to that, Ms. Brothers was employed by Pleasant Company, which was acquired by Mattel in July 1998, as Senior Vice President of Operations from November 1998 to July 2000, Vice President of the Catalogue Division from January 1997 to November 1998, and Vice President of Catalogue Marketing from July 1998 to November 1998. Ms. Brothers became a director of Hillshire Brands in June 2012. She previously served as a director of Bare Escentuals, Inc. Age 56.

Director Qualifications

Leadership, Industry, Operational and Public Company Board and Corporate Governance Experience serves as an executive officer of a large publicly traded company, with broad responsibility for general management, marketing and financial results; previously served as a director of another publicly traded company.

VIRGIS W. COLBERT Retired Executive Vice President, Miller Brewing Company (brewer) from 1997 to December 2005 and Senior Advisor to MillerCoors Brewing Company (formerly Miller Brewing Company). 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 Hillshire Brands in January 2006. Mr. Colbert also serves as a director of Bank of America Corporation, Lorillard, Inc., The Manitowoc Company, Inc. and Stanley Black & Decker. He previously served as a director of Merrill Lynch & Co. Age 73.

Director Qualifications

Leadership, Industry, Operational and Public Company Board and Corporate Governance Experience over 10 years of general management experience; previously served as an executive officer of a branded beverage company, with responsibility over global manufacturing; serves and previously served as a director of other large publicly traded companies.

SEAN M. CONNOLLY Chief Executive Officer of The Hillshire Brands Company and director since June 28, 2012; Executive Vice President of Sara Lee Corporation and Chief Executive Officer, Sara Lee North American Retail and Foodservice, from January 2012 to June 2012. Prior to joining Hillshire Brands, Mr. Connolly served as President of Campbell North America, the largest division of Campbell Soup Company (branded convenience food products) from October 2010 to December 2011, President, Campbell USA from 2008 to 2010, and President, North American Foodservice from 2007 to 2008. Before joining Campbell Soup in 2002, Mr. Connolly served in various marketing and brand management roles at Procter & Gamble (branded consumer packaged goods) for a decade. Age 47.

Director Qualifications

Leadership, Industry and Operational Governance Experience serves as chief executive officer of Hillshire Brands; previously served as President of branded food and foodservice businesses, with broad responsibility for management and financial results; over 10 years of marketing and brand management experience.

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LAURETTE T. KOELLNER Executive Chairman of International Lease Finance Corporation since June 2012. Retired Senior Vice President of The Boeing Company (aerospace manufacturer) and President of Boeing International from April 2006 to January 2008. Ms. Koellner served as President of Connexion by Boeing from December 2004 until April 2006, Executive Vice President and Chief Human Resources and Administration Officer of Boeing from 2002 to December 2004, 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 Vice President and General Auditor of Boeing from 1996 to 1999. Ms. Koellner became a director of Hillshire Brands in January 2003. She also serves as a director of Celestica Inc. and previously served as a director of American International Group Inc. Age 58.

Director Qualifications

Leadership, Operational and Public Company Board and Corporate Governance Experience, Financial or Accounting Acumen former executive officer of a publicly traded company and president of an international subsidiary; previously served as Corporate Controller & General Auditor of a global publicly traded company, and as Vice President of Internal Audit, Corporate Controller and President of a subsidiary of a global publicly traded company; serves as a director of other large publicly traded companies.

CRAIG P. OMTVEDT Retired Senior Vice President and Chief Financial Officer of Fortune Brands, Inc. (consumer products company) from 2000 to October 2011, and current advisor to Beam Inc., the successor to Fortune Brands. Mr. Omtvedt joined Fortune Brands in 1989 and served as Senior Vice President and Chief Accounting Officer from 1998 to 1999, Vice President and Chief Accounting Officer from 1997 to 1998; Vice President, Deputy Controller and Chief Internal Auditor from 1996 to 1997,

Deputy Controller from 1992 to 1996, and Director of Audit from 1989 to 1992. He serves as a director of Oshkosh Corporation and General Cable Corp., and as a member of the Standard & Poor s CFO Advisory Council. Age 63.

Director Qualifications

Leadership, Public Company Board and Corporate Governance Experience, Financial or Accounting Acumen former chief financial officer of a large, global publicly traded company; previously served as chief accounting officer of a global publicly traded company; serves as a director of other large publicly traded companies.

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 Finance Director from 1978 to 1984. Sir Ian has been a director of Hillshire Brands since October 2004. He previously served as the non-executive Deputy Chairman of BP plc and as a non-executive director of GlaxoSmithKline plc and JKX Oil & Gas plc. Sir Ian is Chairman of the Navy, Army and Air Force Institutes and the BP Pension Trustees Limited board. Age 69.

Director Qualifications

Leadership, Industry, Operational and Public Company Board and Corporate Governance Experience; Financial or Accounting Acumen served as Chairman, director and executive officer of several global publicly traded companies that sell branded services and consumer beverages; qualified as a Chartered Accountant, served in finance roles in his career and served on the audit committees of several large publicly traded companies.

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JONATHAN P. WARD Operating Partner, Kohlberg & Co. (investment firm) since July 2009. Former Chairman of the Chicago office of Lazard Ltd. (investment banking), and Managing Director, Lazard Freres & Co., LLC from November 2006 to June 2009. 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 Hillshire Brands in October 2005. Mr. Ward currently serves as a director of Hub Group, Inc. and KAR Auction Services, Inc., and he previously served as a director of First Horizon and United Stationers Inc. Age 58.

Director Qualifications

Leadership, Operational and Public Company Board and Corporate Governance Experience, Financial or Accounting Acumen served as executive officer, including as Chief Executive Officer, of two service companies and two companies providing financial and investment services; serves on the board and previously served as chairman of publicly traded companies.

JAMES D. WHITE Chairman of the Board of Directors, President and Chief Executive Officer of Jamba, Inc. (restaurant retailer franchisor) since December 2008. Mr. White previously served as Senior Vice President of Consumer Brands for Safeway, Inc. (North America food and drug retailer) from 2005 to 2008, Senior Vice President of Business Development, North America for the Gillette Company (consumer products company) from 2002 to 2005, Vice President, Customer Interface Group of Nestlé Purina (Ralston Purina Petcare Company) (pet food manufacturer) from 1999 to 2002, Vice President, Customer Development, East of Nestlé Purina from 1997 to 1999, and Vice President and Managing Director, Midwest of Nestlé Purina from 1994 to 1997. Age 51.

Director Qualifications

Leadership, Industry, Operational and Public Company Board and Corporate Governance Experience serves as president and chief executive officer of publicly traded company, with broad responsibility for general management, marketing and financial results; serves as chairman of the board of a publicly traded company.

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

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DIRECTOR COMPENSATION

Following is a description of Hillshire Brands compensation program for non-management directors in fiscal 2012. Directors who are Hillshire Brands employees do not receive compensation for their services as directors. The Corporate Governance, Nominating and Policy Committee regularly reviews the compensation paid to non-management directors and recommends changes to Hillshire Brands Board of Directors, as appropriate. Directors do not receive any meeting or attendance fees.

Annual Retainers

	Cash Retainer (1)	Restricted Stock Units (2)
All non-management directors (3)	$ 80,000	$ 120,000
Additional Compensation:		
Chairman of the Board (4)	$ 75,000	$ 75,000
Lead Independent Director (4)	$ 12,500	$ 12,500
Audit Committee Chair	$ 10,000	$ 10,000
Chairs of other Committees	$ 5,000	$ 5,000
Audit Committee members	$ 3,750	$ 3,750

(1) A director may elect to receive shares of Hillshire Brands common stock or restricted stock units (RSUs) in lieu of all or a portion of his or her cash retainer.
(2) RSUs vest one year after the date of grant but are not converted into shares of Hillshire Brands common stock until six months after the director leaves Hillshire Brands Board (one month for RSUs granted after the Spin-Off).
(3) Upon completion of the Spin-Off on June 28, 2012, Hillshire Brands increased the amount of the annual cash retainer for Board service from $75,000 to $80,000.
(4) James S. Crown served as Chairman of the Board until January 2011, and as Lead Independent Director from February 2011 through June 2012. Director compensation is paid on a calendar year basis, so a portion of his compensation during each period is included in the table below. Christopher B. Begley was appointed Chairman of the Board on June 29, 2012 and no director currently serves as Lead Independent Director.

Stock Ownership Guidelines The Board strongly believes that the directors should have a meaningful ownership interest in Hillshire Brands and has implemented stock ownership guidelines for Hillshire Brands directors. The ownership guidelines require directors to own a minimum of 20,000 shares of Hillshire Brands common stock (including RSUs) within five years after a director is first elected to the Board. All Hillshire Brands directors currently are in compliance with the stock ownership requirements.

Deferred Compensation Program Under Hillshire Brands 1999 Non-Employee Director Stock Plan, 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 Program 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 Hillshire Brands at the beginning of each plan year of issuing debt with a five-year maturity (the rate for calendar 2012 is 3.11%), or (ii) a stock equivalent account, earning a return based on our stock price and accruing dividend equivalents. Any awards of RSUs that a 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 Hillshire Brands common stock, as applicable, on dates selected by the director. Hillshire Brands does not pay above market rates or preferential rates under its deferred compensation plans.

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Fiscal 2012 Director Compensation Table

Name	Fees Earned or Paid in Cash ($) (1)	Stock Awards ($) (2)	All Other Compensation ($) (3)(4)	Total ($)
Todd A. Becker (5)				
Christopher B. Begley	78,750	186,849		265,599
Ellen L. Brothers (5)				
Crandall C. Bowles	75,000	177,273		252,273
Virgis W. Colbert	75,000	185,039	10,000	270,039
James S. Crown	127,500	286,796	35,000	449,296
Laurette T. Koellner	85,000	220,393	25,000	330,393
Cornelis J.A. van Lede	78,750	206,133	80,555	365,438
Dr. John McAdam	75,000	155,279		230,279
Sir Ian Prosser	83,750	215,375		299,125
Norman R. Sorensen	75,000	168,886		243,886
Jeffrey W. Ubben	78,750	123,770		202,520
Jonathan P. Ward	80,000	209,261	9,000	298,261

(1) Represents the amount of cash compensation earned by each director in fiscal 2012 for Board and Committee service, including amounts Ms. Bowles and Messrs. Begley, Crown and Sorensen elected to receive in shares of Hillshire Brands common stock or RSUs.

(2) Represents the full grant date fair value of RSUs granted in fiscal 2012, computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (FASB ASC Topic 718) using the closing market price of Hillshire Brands common stock on the date of grant. As described above, each non-management director receives an RSU award each year and also may elect to receive Hillshire Brands common stock or RSUs in lieu of all or a portion of his or her cash retainer. This column includes only the grant date fair value for non-elective RSU awards plus any RSUs acquired through reinvestment of dividend equivalents; any annual cash retainer that a director elects to receive in the form of Hillshire Brands common stock or RSUs is included in the Fees Earned or Paid in Cash column. The number of outstanding RSUs held by each non-employee director at the end of fiscal 2012 is shown below; no director holds options. RSUs vest one year after the date of grant but are not converted into shares of Hillshire Brands common stock until six months after the director leaves the Board, for RSUs granted prior to the Spin-Off, and one month after the director leaves the Board, for RSUs granted after the Spin-Off. In connection with the Spin-Off, the number of shares underlying each outstanding RSU was adjusted so that the economic value of each outstanding award after the Spin-Off was equivalent to the economic value of that award before the Spin-Off.

Name	Number of Outstanding RSUs
Todd A. Becker	2,070
Christopher B. Begley	12,298
Ellen L. Brothers	2,070
Crandall C. Bowles	12,493
Virgis W. Colbert	10,649
James S. Crown	23,705
Laurette T. Koellner	13,494
Cornelis J.A. van Lede	12,083
Dr. John McAdam	7,687
Sir Ian Prosser	13,021
Norman R. Sorensen	9,180
Jeffrey W. Ubben	7,706
Jonathan P. Ward	12,453

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(3) Non-management directors may participate in Hillshire Brands Matching Grants Program on the same basis as Hillshire Brands employees. Under the Matching Grants Program, the Hillshire Brands Foundation or Hillshire Brands matches personal contributions made to eligible nonprofit organizations up to $10,000 each calendar year, prior to the Spin-Off, and up to $5,000 each calendar year, after the Spin-Off. In addition, prior to the Spin-Off, Hillshire Brands or the Hillshire Brands Foundation would make charitable contributions of up to $15,000 per fiscal year upon the request of a non-management director, which contributions included financial support for fundraising events and direct program grants. This program was discontinued after the Spin-Off. The table above reflects both matching contributions made by Hillshire Brands on behalf of Ms. Koellner ($10,000) and Messrs. Crown ($20,000) and Ward ($9,000), and charitable contributions made by Hillshire Brands on behalf of Ms. Koellner ($15,000) and Messrs. Colbert ($10,000) and Crown ($15,000).

(4) For Mr. van Lede, includes an annual retainer for serving as Chairman of the Supervisory Board of Koninklijke Douwe Egberts B.V., a Dutch subsidiary of Hillshire Brands. During fiscal 2012, he received an annual retainer of Euro 50,000 and Euro 5,446 in expense reimbursement (approximately $80,555).

(5) Mr. Becker and Ms. Brothers joined the Board on June 28, 2012 and did not receive any director compensation for services in fiscal 2012.

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HILLSHIRE BRANDS STOCK OWNERSHIP BY DIRECTORS, DIRECTOR NOMINEES, EXECUTIVE OFFICERS AND CERTAIN BENEFICIAL OWNERS

This table includes information regarding the amount of common stock beneficially owned by Hillshire Brands named executive officers, directors and director nominees as of September 4, 2012. In general, beneficial ownership includes those shares an individual 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 or group named in the table owns more than 1% of the outstanding shares of common stock or has pledged any shares of Hillshire Brands common stock as security.

As of September 4, 2012, we believe that no person beneficially owned more than 5% of Hillshire Brands outstanding common stock. There are no arrangements known to Hillshire Brands that may result in a change in control of Hillshire Brands upon the occurrence of some future event.

Name (1)	Shares of Common Stock	Options Currently Exercisable or Exercisable within 60 days	Restricted Stock Units and Stock Equivalents (2)
Todd A. Becker	1,444		2,070
Christopher B. Begley	8,479		12,298
Ellen L. Brothers			2,070
Andrew P. Callahan	14,827	34,387	
Virgis W. Colbert	729		10,649
Sean M. Connolly			20,866
Donald C. Davis	9,945	21,554	
Thomas P. Hayes	23,630	106,926	17,364
Maria Henry	5,763		
Laurette T. Koellner	2,917		19,486
Craig P. Omtvedt (3)			
Sir Ian Prosser	1,843		13,021
Jonathan P. Ward	411		13,833
James D. White (3)			
Directors, director nominees and executive officers as a group (18 persons)	74,889	174,457	129,268

(1) Does not include stock ownership information for Messrs. Bennink, Garvey, van Oers and Smits because they are no longer employed by Hillshire Brands and we do not have access to information regarding their stock ownership.

(2) Includes restricted stock units (RSUs) and, for Mr. Connolly, shares of restricted common stock granted under Hillshire Brands Long-Term Incentive Stock Plans and, for Ms. Koellner and Messrs. Hayes and Ward, stock equivalent balances held under Hillshire Brands Deferred Compensation Plans. Does not include performance stock units (PSUs) granted to Hillshire Brands executive officers under Hillshire Brands Long-Term Incentive Stock Plans because PSUs vest only if and to the extent predetermined performance goals are achieved. RSUs, PSUs and stock equivalents do not have voting rights, but are credited with dividend equivalents. For executive officers, RSUs and restricted common stock vest and are converted into shares of common stock as the vesting period lapses, and PSUs vest and are converted into shares of common stock if and to the extent that specific performance goals are achieved. For directors, RSUs vest one year after the grant date but are not converted into shares of Hillshire Brands common stock until six months after the director leaves the Board (or one month after the director leaves the Board, for RSUs granted after June 28, 2012).

(3) Messrs. Omtvedt and White are not currently directors; they are nominated for election at the Annual Meeting.

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EXECUTIVE COMPENSATION

EXECUTIVE SUMMARY

On June 28, 2012, Sara Lee Corporation (the former name of The Hillshire Brands Company) completed the spin-off of its international coffee and tea business into an independent publicly traded company named D.E MASTER BLENDERS 1753 N.V. (the Spin-Off). Throughout this Executive Summary and the Compensation Discussion and Analysis, the term Hillshire Brands or the Company refers both to The Hillshire Brands Company and its predecessor company, Sara Lee Corporation. The term Sara Lee Meats refers to the North American meat-centric retail and foodservice operating segments of Sara Lee Corporation prior to the Spin-Off, the term D.E MASTER BLENDERS refers to the spun-off international coffee and tea business and the term consolidated Sara Lee refers to the consolidated results of Sara Lee Meats and D.E MASTER BLENDERS.

The Compensation Discussion and Analysis describes how the Compensation and Employee Benefits Committee of the Board of Directors (the Compensation Committee) ultimately decided to compensate:

- Sean M. Connolly, our Chief Executive Officer;
- Maria Henry, our Executive Vice President and Chief Financial Officer;
- Andrew P. Callahan, our Executive Vice President and President, Retail;
- Donald C. Davis, our Senior Vice President and President, Foodservice;
- Thomas P. Hayes, our Executive Vice President and Chief Supply Chain Officer;
- Marcel H.M. Smits, our former Chief Executive Officer;
- Mark A. Garvey, our former Chief Financial Officer;
- Jan Bennink, our former Executive Chairman; and
- Frank van Oers, our former Executive Vice President and Chief Executive Officer, International Beverage and Bakery

SEC executive compensation disclosure rules require us to provide information for each individual who served in the capacity of Chief Executive Officer and Chief Financial Officer at any time during the fiscal year that ended June 30, 2012. In this case, Mr. Smits served as Chief Executive Officer and Mr. Garvey served as Chief Financial Officer until June 28, 2012, when both resigned from their positions with Hillshire Brands in connection with the Spin-Off. Mr. Connolly became Chief Executive Officer and Ms. Henry became Chief Financial Officer of

Hillshire Brands, effective June 28, 2012. In addition, the SEC executive compensation disclosure rules require us to provide information regarding the three other most highly compensated executive officers serving as executive officers of Hillshire Brands at the end of fiscal 2012 (*i.e.*, Messrs. Callahan, Davis and Hayes) as well as up to two former executive officers of Hillshire Brands who would have been among the three most highly compensated executive officers of Hillshire Brands if they were still serving as executive officers at the end of fiscal 2012 (*i.e.*, Messrs. Bennink and van Oers). We refer to these individuals in this proxy statement as the named executive officers. Unless otherwise noted, references to the named executive officers in the Compensation Discussion and Analysis section exclude Frank van Oers since his termination was announced in August 2011 and his fiscal 2012 compensation reflected his pending exit.

Impact of the Spin-Off on Fiscal 2012 Executive Compensation

Many fiscal 2012 compensation decisions were made in anticipation of the Spin-Off and to reflect Hillshire Brands emergence as a publicly-traded pure-play company focusing on meat-centric food solutions for the retail and foodservice markets. The following are key compensation decisions that occurred during fiscal 2012, that were specifically designed to address the unique circumstances relating to the Spin-Off:

Development of Peer Group Given the change in business size, structure and focus resulting from the Spin-Off, the Compensation Committee determined that it should establish a new peer group applicable to Hillshire Brands. The new peer group consists of companies whose operations are focused on food and beverage products, with a North American operational focus and whose annual revenues are similar to those of Hillshire Brands. See the How We Position Executive Pay section of the Compensation Discussion and Analysis for a list of the new peer group companies.

Hiring of New Chief Executive Officer and Chief Financial Officer Hillshire Brands hired Sean M. Connolly to serve as its Chief Executive Officer and Maria Henry to serve as its Chief Financial Officer, effective with the Spin-Off. See the How We Make Compensation Decisions section of the Compensation Discussion and Analysis for a discussion of Mr. Connolly s and Ms. Henry s initial compensation packages.

Annual Incentive Opportunity The fiscal 2012 annual incentive program was designed to provide that the annual incentive opportunities for named executive officers departing from Hillshire Brands after the Spin-Off were tied to the achievement of financial and operational performance objectives of the consolidated Sara Lee, while the annual incentive opportunities for named executive officers remaining with Hillshire Brands following the Spin-Off were tied to the achievement of financial performance objectives of Sara Lee Meats. The fiscal 2012 annual incentive opportunities for Messrs. Bennink and Connolly, however, differed from the other named executive officers. Mr. Bennink was hired in January 2011 with the primary objective of successfully completing the Spin-Off, so his annual incentive was based 50% on the results of the consolidated Sara Lee and 50% on pre-determined strategic objectives tied to the Spin-Off. Mr. Connolly joined the Company in the third quarter of fiscal 2012, and his fiscal 2012 bonus payment was tied to financial performance of Sara Lee Meats and guaranteed at target (prorated for the portion of the year worked).

Long-Term Incentive Program The Compensation Committee structured Hillshire Brands fiscal 2012 2014 equity award program to reflect the expectation that the Spin-Off would be completed towards the end of fiscal 2012 and the change in the post-Spin-Off employment status of many award recipients. The key elements of the program are as follows: (i) the equity grant levels represented approximately one-third of the annual grant levels with the Company s intent of granting to employees who remained with Hillshire Brands following the Spin-Off the additional two-thirds of equity that normally would have been granted in fiscal 2012; (ii) named executive officers continuing with Hillshire Brands received 50% of the grant value in performance share units (PSUs) and 50% in stock options, and named executive officers who terminated as a result of the Spin-Off received 100% PSUs; (iii) PSUs have historically vested on the basis of the achievement of three-year performance objectives; however grants in fiscal 2012 to employees who were expected to be terminated as a result of the Spin-Off had a one-year performance cycle; and (iv) for PSUs granted to those employees expected to remain with Hillshire Brands following the Spin-Off, the performance measure for the first year was based on the financial results of the consolidated Sara Lee and the performance measures for the remaining two years were based on the results of Hillshire Brands following the Spin-Off.

Our Executive Compensation Objectives

In fiscal 2012, our compensation programs were adjusted from prior year to address circumstances related to the Spin-Off, as described above. Nonetheless, our executive compensation program continued to be based upon achieving the following objectives:

- aligning the compensation of our executive officers with the long-term interests of our stockholders;
- providing a total compensation opportunity that allows us to attract and retain talented executive officers, and motivate them to achieve exceptional business results; and
- ensuring that our executive officers total compensation opportunities are competitive in comparison with our peers, that our incentive compensation is performance-based, and that our programs are consistent with high standards of corporate governance and evolving best practices within our industry.

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Fiscal 2012 Business Review and Impact on Executive Compensation

Fiscal 2012 Business Review

In fiscal 2012, Hillshire Brands completed a significant transformation of its business and implemented changes in its senior leadership to set the future direction of the Company and its portfolio of businesses:

- On June 28, 2012, Hillshire Brands completed the Spin-Off of its international coffee and tea business into an independent, publicly traded Dutch company named D.E MASTER BLENDERS. As a result of the Spin-Off, and several business divestitures completed prior to the Spin-Off, Hillshire Brands is a pure-play meat-centric foods company that conducts business predominantly in the United States.

- In fiscal 2012 and before the Spin-Off, Hillshire Brands completed several business divestitures. We divested our North American refrigerated dough (Store Brands) business, our North American Foodservice Coffee business, our Spanish bakery and French refrigerated dough businesses and the remaining portion of our International Household and Body Care business that was not sold in fiscal 2011. Also, during the first quarter of fiscal 2012 we completed the sale of our North American Fresh Bakery business, which transaction was signed in November 2010.

- In conjunction with the Spin-Off, a U.S. subsidiary of D.E MASTER BLENDERS paid a $3.00 per share one-time special cash dividend to stockholders who received the common stock dividend in connection with the Spin-Off. The Spin-Off and the $3.00 per share one-time special cash dividend also represented the culmination of Hillshire Brands commitment, first announced in February 2010, to return capital to stockholders. During fiscal 2010 and fiscal 2011, Hillshire Brands repurchased $1.8 billion of its common stock. Combined with the $3.00 one-time special cash dividend paid in June 2012, Hillshire Brands has returned a total of approximately $3.6 billion of capital to its stockholders since February 2010.

- Immediately after the Spin-Off, Sara Lee Corporation completed a 1-for-5 reverse stock split of its shares of common stock (the Reverse Stock Split) and changed its name to The Hillshire Brands Company.

- On June 28, 2012 and in conjunction with the Spin-Off, Messrs. Smits and Garvey, and other members of senior management, resigned from Hillshire Brands and Mr. Connolly was appointed to the position of Chief Executive Officer and Ms. Henry was appointed to the position of Chief Financial Officer of Hillshire Brands.

Despite the disruptions created by the Spin-Off, significant changes in senior leadership of the company and a continued difficult economic environment, Hillshire Brands delivered solid results in fiscal 2012. Adjusted net sales increased 4.0% to $4.04 billion in fiscal 2012 and adjusted operating income increased 4.3% to $327 million, although gross margin declined from 29.8% in fiscal 2011 to 27.7% in fiscal 2012. Significant items, such as the expenses of the Spin-Off and the divestiture transactions completed prior to the Spin-Off, contributed to the fiscal year results. Management believes that it has taken key actions necessary to position Hillshire Brands for increased profitability in the next few years, such as an increased investment in media, advertising and promotion, a three-year $100 million cost reduction and productivity improvement initiative and filling key senior management positions. For more information about our fiscal 2012 business results, see the section of our fiscal 2012 annual report to stockholders entitled Financial Review.

Impact on Executive Compensation

At the beginning of fiscal 2012, the Compensation Committee established a total direct compensation opportunity for each of our senior executive officers, including the named executive officers other than Messrs. Bennink and Connolly, which reflected the anticipated Spin-Off changes. Total direct compensation opportunity consists of base salary, a target annual incentive award opportunity, and a target long-term incentive award. With respect to Mr. Bennink, the Board appointed Mr. Bennink as Sara Lee s Executive Chairman in January 2011

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with the primary responsibility of ensuring the successful completion of the Spin-Off, after which his employment would terminate. Due to the limited duration of his employment and his unique role, the Board approved Mr. Bennink s total compensation opportunity in January 2011 and agreed to review it for reapproval on an annual basis. On January 28, 2012, the Board reapproved the same total compensation opportunity for Mr. Bennink that they approved in January 2011; however his compensation would be prorated based on active service from January 28, 2012 through the Spin-Off and, in light of Mr. Bennink s appointment as Chairman of D.E MASTER BLENDERS, his fiscal 2012 equity grant was structured to convert into D.E MASTER BLENDERS equity at the time of the Spin-Off. The total direct compensation opportunity for Mr. Connolly was established when he was appointed to the position of Executive Vice President of the Company and Chief Executive Officer of the Company s North American operations in January 2012.

Consistent with the financial performance measures that are important to Hillshire Brands investors, our fiscal 2012 annual incentive opportunity was generally based on achievement of growth in adjusted operating income, adjusted net sales and average working capital targets. Furthermore, we seek to more closely align the interests of our senior executive officers with our stockholders through the use of stock options and performance share units.

Fiscal 2012 Compensation Opportunity for our current CEO, Mr. Connolly

In fiscal 2012, Mr. Connolly received:

- A target annual incentive opportunity of $900,000, with actual payout dependent upon Sara Lee Meats adjusted operating income (40%), adjusted net sales (40%) and average working capital (20%). Pursuant to the terms of Mr. Connolly s employment offer, Mr. Connolly s fiscal 2012 bonus payment was guaranteed to be equal to his target bonus, but prorated to reflect his January 2012 start date. For fiscal 2013 and subsequent years, Mr. Connolly will not be entitled to a guaranteed bonus payout under the Hillshire Brands annual incentive plan. The target annual incentive opportunity, which represented 100% of his annual base salary, was determined by the Compensation Committee based on its review of peer group data and after consultation with its independent compensation consultant.

- Fiscal 2012 2014 long-term incentive awards with a total target value of $1.8 million in stock options (50%) and PSUs (50%). The one-third portion of the fiscal 2012 2014 PSUs is payable based on the achievement of a one-year operating income target. The remaining portion of the fiscal 2012 2014 PSUs is payable based on the total shareholder return performance of Hillshire Brands relative to a peer group during fiscal 2013 2014. Any earned PSUs will be settled in shares of Hillshire Brands common stock. Pursuant to the terms of Mr. Connolly s offer letter, Mr. Connolly s fiscal 2013 2015 long-term incentive awards will have a total target value of $3.0 million and will be granted in the form of stock options (50%) and PSUs (50%).

- Pursuant to the terms of Mr. Connolly s offer letter, Mr. Connolly received a one-time new hire award of $1.65 million in cash and $2.0 million in shares of restricted common stock to compensate him for forfeited compensation under his prior employer s long-term incentive program. Mr. Connolly also received a $250,000 cash payment for a bonus he forfeited under his prior employer s annual bonus program.

Fiscal 2012 Compensation Opportunity for our former CEO, Mr. Smits

In fiscal 2012, Mr. Smits received:

A target annual incentive opportunity of $1,400,000, with actual payout dependent upon adjusted operating income (30%) and adjusted net sales (30%) of consolidated Sara Lee and Mr. Smits attainment of individual performance objectives relating to consummation of the Spin-Off (40%). The target annual incentive opportunity, which represented 175% of his annual base salary, was determined by the Compensation Committee based on its review of peer group data and after consultation with its independent compensation consultant.

Fiscal 2012 2014 long-term incentive awards with a total target value of $1,333,333 million in PSUs. The fiscal 2012 2014 PSUs are payable based on the fiscal 2012 operating income of consolidated Sara Lee, with any earned PSUs to be settled in shares of Hillshire Brands common stock.

Additional details about the compensation of Messrs. Connolly and Smits follow under Compensation Discussion and Analysis.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Compensation Program

The Components of Our Executive Compensation Program

The principal components of our executive compensation program and the purpose of each component are presented in the table below, along with our target competitive position for each component. Our objective is to align all target positions to the median value of our peer group. We measure our program s competitiveness both by individual benchmark positions as well as by salary grades and bands, which are composed of many positions that we consider to have similar responsibilities.

Compensation Component	Target Competitive Position (in aggregate for all positions)	Purpose
Base salary	Equal to the peer group median.	Fixed component of pay intended to compensate an executive officer fairly for the responsibility level of the position held.
Annual incentive awards	Target opportunities were set in relationship to the peer group median. Actual payouts may exceed or be less than target based upon actual corporate performance.	Variable component of pay intended to motivate and reward an executive officer s contribution to achieving our short-term/annual objectives.
Long-term incentives	Target opportunities are set in relationship to the peer group median; actual payouts may exceed or be less than market median based upon our stock price and financial performance.	Variable component of pay intended to motivate and reward an executive officer s contribution to achieving our long-term objectives and to align the interests of our executives with those of our shareholders.
Retirement and other benefits	Equal to the peer group median.	Fixed component of pay intended to protect against catastrophic expenses (healthcare, disability, and life insurance) and provide retirement savings opportunity (pension and 401(k) plans).
Perquisites	Less than or equal to the peer group median.	Fixed component of pay intended to help us in attracting and retaining executive talent.
Post-termination compensation (severance and change in control)	Equal to the peer group median.	Fixed component of pay intended to provide temporary income following an executive officer s involuntary termination of employment and, in the case of a change in control, to also help provide continuity of management through the transaction.

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How We Position Executive Pay

One of the key objectives of our executive compensation program is to ensure that the total compensation package for our executive officers is competitive with our peer group, which the Compensation Committee believes is representative of the companies against which we compete for executive talent. Given the change in business size, structure and focus of the Company following the Spin-Off, the Compensation Committee determined that it should review and, if appropriate, establish a new peer group applicable to Hillshire Brands. Hillshire Brands engaged Mercer Consulting (Mercer) to assist with developing the post-Spin-Off peer group. Based on its review, Mercer developed a peer group consisting of 15 U.S.-based publicly-traded companies with the following characteristic:

operate in similar industries food products and beverages;

similar in size one-third to 3x Hillshire Brands expected post-Spin-Off revenue levels; and

North American operational focus.

The fiscal 2012 peer group consisted of the following 15 companies:

Campbell Soup Company	Hormel Foods Corporation
The Clorox Company	McCormick & Company, Incorporated
ConAgra Foods Inc.	Ralcorp Holdings Inc.
Dean Foods Company	Sanderson Farms, Inc.
Del Monte Foods	Smithfield Foods, Inc.
Dr. Pepper Snapple Group, Inc.	The J.M. Smucker Company
Flowers Foods, Inc.	Treehouse Foods, Inc.
The Hershey Company	

The fiscal 2012 peer group, which was also reviewed by the Compensation Committee s independent compensation consultant and reviewed and approved by our Compensation Committee, reflects the addition of Flower Foods, Inc.; McCormick & Company, Incorporated; Sanderson Farms, Inc.; and Treehouse Foods, Inc. as a result of having similar revenues, a similar Global Industry Classification Standard (GICS) and being based in the United States. Colgate Palmolive Company, General Mills, Inc., H.J. Heinz Company, Kellogg Company, Kimberly Clark Corporation and Tyson Foods, Inc. were eliminated due to their revenues being significantly higher than the post-Spin-Off Company or significant international presence.

In addition, we rely on various sources of compensation and benefits survey data for ascertaining the competitive market for the named executive officers. We use survey data of our peer group and other similar industry profiles developed by national compensation consulting firms, such as AonHewitt, Mercer and Towers Watson. We have a high confidence level in the accuracy standards applied to the data produced in these surveys by these organizations. When analyzing compensation data, statistical techniques such as regression analysis are used to adjust the data for differences in company size. During this process, we measure target and actual pay levels within each compensation component and in the aggregate. We also review the mix of our compensation components with respect to fixed versus variable, short-term versus long-term, and cash versus equity-based pay. This information is presented annually to the Compensation Committee for its review.

How We Set the Compensation Mix

Each year, the Compensation Committee conducts a review of the relative mix of our compensation components to those of our compensation peer group. Specifically, we review the total direct compensation opportunity (that is, the sum of base salary, target annual incentive award opportunity and target long-term incentive award opportunity) in the following categories:

- fixed versus variable;
- short-term versus long-term; and
- cash versus equity-based.

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The Compensation Committee s goal with respect to each of these categories is to allocate total direct compensation in a manner that is market competitive with our peer group because the peer group represents the companies against which we compete for executive talent. The Compensation Committee also believes that the allocations that result from this approach are effective in motivating our executive officers to maximize stockholder value. The allocations that the Compensation Committee applied with respect to fiscal 2012 are as follows:

Compensation Allocation for Total Target Direct Compensation

Fixed	/	**Variable**	**Sean M. Connolly**	**Marcel H.M. Smits**	**Jan Bennink**	**Other Named Executive Officers**
(Salary)		(Annual + Long-Term Incentive Value)	**19%/81%**	**13%/87%**	**12%/88%**	**23%-40%/60%-77%**
Short-Term	/	**Long-Term**				
(Salary + Annual Incentive Value)		(Long-Term Incentive Value)	**37%/63%**	**35%/65%**	**34%/66%**	**45%-66%/34%-55%**
Cash	/	**Equity-Based**				
(Salary + Annual Incentive Value)		(Long-Term Incentive Value)	**37%/63%**	**35%/65%**	**34%/66%**	**45%-66%/34%-55%**

The differences between the mix of compensation components for our current and former Chief Executive Officers as compared to the compensation components for the other named executive officers are generally comparable to the mix of our peer group.

Direct Compensation Components

Base Salary

Base salary is the only fixed component of our executive officers total direct compensation. We target base salary to equal the median salary of our peer group. An executive officer s base salary is based on the individual s level of responsibility, experience, reference to a specific salary grade or band level, performance and Hillshire Brands annual budget for merit increases. Hillshire Brands merit increase budget for fiscal 2012 was 3%.

Annual Incentive Compensation

Our annual incentive award program is designed to motivate and reward executive officers for achieving short-term financial objectives. The program is composed of two inter-related plans: the Performance-Based Incentive Plan (the PBIP), which is a stockholder-approved plan providing an overall limit on annual incentive payments for the named executive officers, and the Annual Incentive Plan (the AIP), which is a Board-approved and Compensation Committee-administered plan for determining actual incentive awards each year for hundreds of employees, including the named executive officers. The PBIP design is intended to provide annual incentive awards that qualify as performance-based compensation and, therefore, are tax-deductible without regard to the limitation on deductibility imposed by Section 162(m) of the Internal Revenue Code. The AIP provides participants, including the named executive officers, with annual cash incentive award opportunities for the achievement of goals that are set within the first 90 days of each fiscal year. The AIP provides target payout opportunities that are expressed as a percentage of a participant s fiscal year base salary, with actual payouts ranging from 0% to 150% of target for various levels of performance. Payout opportunities increase with the participants salary grade or band level, which is consistent with our compensation philosophy of increasing the level of pay at risk for higher level positions. For participants in the PBIP, the Compensation Committee applies negative discretion factors to reduce the maximum annual award under the PBIP (with the PBIP maximum being defined with reference to a percentage of Adjusted Operating Income, as defined in the PBIP).

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Mr. Connolly s target annual incentive award opportunity for fiscal 2012 under the AIP was 100% of his base salary based upon the Compensation Committee s review of data from our peer group and the advice of its independent compensation consultant. Mr. Connolly is eligible to receive a guaranteed bonus for fiscal 2012 equal to a prorated portion of his target bonus opportunity. Mr. Smits target annual incentive award opportunity for fiscal 2012 under the AIP was equal to 175% of his base salary. Mr. Bennink s target annual incentive award opportunity was set at 175% of his base salary, which is more closely aligned to Mr. Smits opportunity and was set in recognition of strategic goals relating to the consummation of the Spin-Off. Mr. Connolly s target annual incentive award opportunity was set at a level below that of Messrs. Smits and Bennink to be consistent with the fiscal 2012 peer group.

The AIP target award opportunities for the named executive officers currently employed by Hillshire are less than Mr. Connolly s target opportunity and also were based upon a review of competitive market data. The target opportunities were then reviewed and approved by the Compensation Committee.

Corporate Performance Objectives

The Compensation Committee approved the team-based performance objectives for the AIP with a focus on motivating participating employees to achieve fiscal 2012 financial goals. As noted above, the AIP was designed to provide that the annual incentive opportunities for named executive officers departing Hillshire Brands after the Spin-Off were tied to the achievement of specific financial and operational performance objectives of consolidated Sara Lee, while the annual incentive opportunities for named executive officers remaining with Hillshire Brands following the Spin-Off were tied to the achievement of specific financial performance objectives of Sara Lee Meats. In the case of the named executive officers, the annual incentive opportunities for Messrs. Smits, Garvey and Bennink were tied to results of consolidated Sara Lee, and the annual incentive opportunities for Messrs. Connolly, Callahan, Davis and Hayes and Ms. Henry were tied to results of Sara Lee Meats. Mr. van Oers annual incentive opportunities were tied to the results of D.E MASTER BLENDERS.

The AIP performance measures and their weightings within the plan were as follows:

	FY12 Weighting of Performance Measures	
Performance Measure	**Sara Lee Meats (1)**	**Consolidated Sara Lee (2)**
Adjusted Operating Income	40%	30%
Adjusted Net Sales	40%	30%
Average Working Capital	20%	N/A
Individual Objectives	N/A	40%

(1) Represents the allocation of performance measures applicable to participants who remained with the Company following the Spin-Off. For these individuals, performance measures were based on the results of Sara Lee Meats.

(2) Represents the allocation of performance measures applicable to participants who separated from the Company in connection with the Spin-Off, with the exception of Mr. Bennink. For these individuals, performance measures were based on the results attributable to the consolidated Sara Lee. Mr. Bennink s AIP was comprised of adjusted operating income (25%), adjusted net sales (25%) and individual objectives (50%).

The Compensation Committee is actively engaged in establishing the specific target performance level for each performance measure. Typically, a performance measure s target performance level is the same as the target performance level contained in our annual operating plan. The annual operating plan is developed by management and presented by the Chief Executive Officer and Chief Financial Officer to the Board for its review and approval. The threshold performance level, at which no payout is warranted, is set relative to the prior fiscal year s actual results and current fiscal year projections. The Compensation Committee expects the named executive officers to achieve, and hopefully exceed, the target level of performance. The maximum level of performance for each of the financial performance measures, however, is set at a high level of performance that will require significant effort to achieve.

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The financial performance goals and results used in the AIP are non-GAAP financial measures which are reported results as adjusted to exclude significant items and select other charges and gains. Significant items are material items that are not indicative of our core operating results and that are quantified and identified in our financial reports. In addition to significant items, the Compensation Committee may make other adjustments to prevent undue and/or unintended gain or loss. For fiscal 2012, the significant items included in the adjustment of relevant financial data for purposes of measuring performance included the following: changes in foreign currency exchange rates; charges for exit activities; impairment charges; pension partial withdrawal liability charges; benefit plan curtailment gains (losses); debt extinguishment costs; Spin-Off related costs; tax charge on deemed repatriated earnings; tax costs and benefits resulting from the disposition of a business; impact of tax law changes; gains on the sale of discontinued operations; changes in tax valuation allowances; and favorable or unfavorable resolution of open tax matters based on the finalization of tax authority examinations or the expiration of statutes of limitations. Adjusted Operating Income and Adjusted Net Sales, significant items for the fiscal year and other components of the AIP calculation are disclosed in our quarterly earnings press releases and filings with the SEC. The Average Working Capital performance measure, which is the difference between liabilities and assets as adjusted for sales increases and commodity cost changes, rewards achievement of reductions in average working capital during the year. Prior to approving award payments, the Compensation Committee reviews and approves a report from the Chief Financial Officer reconciling the corporate financial performance used to determine actual AIP payments with our financial results prepared in accordance with generally accepted accounting principles as reported on the face of the Company s audited annual income statements.

Fiscal 2012 Decisions and Analysis

Following the end of fiscal 2012, the Compensation Committee evaluated our financial performance against the pre-established performance objectives and determined that for the Sara Lee Meats AIP we achieved two of the three financial performance goals and for the consolidated Sara Lee AIP we achieved both of the two financial performance goals, each illustrated in the tables set forth below.

Fiscal 2012 Annual Incentive Plan Performance Results Sara Lee Meats

Performance Measure (in millions)	Threshold	Target	Maximum	Fiscal 2012 Actual
Adjusted Operating Income	$ 412	$ 460	$ 482	$ 382
Adjusted Net Sales	$ 3,795	$ 4,070	$ 4,197	$ 3,889
Average Working Capital	8.5%	8.0%	7.5%	7.8%

Fiscal 2012 Annual Incentive Plan Financial Performance Results Consolidated Sara Lee

Performance Measure (in millions)	Threshold	Target	Maximum	Fiscal 2012 Actual
Adjusted Operating Income	$ 763	$ 851	$ 929	$ 828
Adjusted Net Sales	$ 7,112	$ 7,578	$ 7,898	$ 7,482

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For fiscal 2012, the average percentage earned under the AIP for the participating named executive officers whose performance was tied to the results of Sara Lee Meats was 45.3% of the target payout opportunity, while the average percentage earned under the AIP for the participating named executive officers whose performance was tied to the results of consolidated Sara Lee was 82.3%. The Compensation Committee approved a slightly higher payout for Messrs. Garvey and Bennink in response to the significant responsibilities each completed with respect to the Spin-Off. The table below shows the award opportunities under the applicable AIP and the fiscal 2012 actual payouts for each of the named executive officers:

Named Executive Officer	Annual Incentive Plan Target As % of Salary	Annual Incentive Plan Target ($)	Annual Incentive Plan Maximum As % of Salary	Annual Incentive Plan Maximum ($)	FY12 Annual Incentive Award As % of Target	FY12 Annual Incentive Award ($)
Sean M. Connolly (1)	100%	$ 413,077	150%	$ 619,616	100%	$ 413,077
Maria Henry	80%	$ 439,359	120%	$ 659,039	45%	$ 198,613
Thomas P. Hayes (2)	90%	$ 332,568	135%	$ 498,852	45%	$ 147,942
Andrew P. Callahan (3)	93%	$ 264,157	139%	$ 396,236	45%	$ 116,704
Donald C. Davis (4)	65%	$ 175,790	98%	$ 263,685	45%	$ 79,665
Marcel H.M. Smits	175%	$ 1,400,000	263%	$ 2,100,000	82%	$ 1,152,410
Mark A. Garvey	130%	$ 617,500	195%	$ 926,250	109%	$ 675,477
Jan Bennink	175%	$ 1,750,000	263%	$ 2,625,000	99%	$ 1,744,006

(1) Mr. Connolly commenced employment with Hillshire Brands in January 2012. Pursuant to the terms of Mr. Connolly s offer letter, Mr. Connolly s fiscal 2012 AIP bonus is guaranteed to be equal to his target bonus, prorated for active service. The amount reported in the FY12 Annual Incentive Award column reflects his prorated guaranteed payout under the AIP.

(2) Mr. Hayes fiscal 2012 AIP award opportunity and actual payout were based on a target bonus of 110% for July 2011 December 2011 and a target bonus of 70% for January 2012 June 2012.

(3) Mr. Callahan s fiscal 2012 AIP award opportunity and actual payout were based on a target bonus of 115% for July 2011 December 2011 and a target bonus of 70% for January 2012 June 2012.

(4) Mr. Davis fiscal 2012 AIP award opportunity and actual payout were based on a target bonus of 75% for July 2011 December 2011 and a target bonus of 55% for January 2012 June 2012.

The incentive award payouts for the named executive officers whose performance was tied to the results of Sara Lee Meats were determined based on the actual achievement of adjusted operating income, adjusted net sales, and average working capital targets for Sara Lee Meats, while the incentive award payouts for the named executive officers whose performance was tied to the results of consolidated Sara Lee were determined based on actual achievement of adjusted operating income and adjusted net sales consolidated targets for Sara Lee Meats and D.E MASTER BLENDERS, combined, as well as individual performance objectives, each as illustrated below.

Named Executive Officers	Performance Measures	Adjusted Operating Income	Adjusted Net Sales	Average Working Capital
Sean M. Connolly	Sara Lee Meats	0%	50.7%	125%
Maria Henry	Sara Lee Meats	0%	50.7%	125%
Andrew P. Callahan	Sara Lee Meats	0%	50.7%	125%
Donald C. Davis	Sara Lee Meats	0%	50.7%	125%
Thomas P. Hayes	Sara Lee Meats	0%	50.7%	125%
Marcel H.M. Smits (1)	Consolidated Sara Lee	80.1%	84.6%	N/A
Mark A. Garvey (1)	Consolidated Sara Lee	80.1%	84.6%	N/A
Jan Bennink (1)	Consolidated Sara Lee	80.1%	84.6%	N/A

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(1) For the executives who left Hillshire Brands in connection with the Spin-Off, 40% of their AIP opportunity was based on the achievement of the following individual performance objectives related to the successful completion of the Spin-Off: (i) with respect to Mr. Smits, objectives relating to the delivery of disclosure requirements and investor materials; (ii) with respect to Mr. Garvey, objectives relating to the delivery of separate, stand-alone financial statements for Hillshire Brands and D.E MASTER BLENDERS; and (iii) with respect to Mr. Bennink, objectives relating to the successful completion of creating two independent publicly traded companies.

Long-Term Incentive Compensation

Our long-term incentive compensation award program is designed to motivate and retain talented executive officers and reward them for achieving long-term financial results that are aligned with our stockholders interests. These long-term incentives are equity-based and are provided under stockholder-approved plans, which permit the use of a number of different types of equity-based awards, including stock options, restricted stock, restricted stock units and performance shares or units.

As a part of our competitive positioning process, we determine a market competitive, long-term incentive value guideline for each executive officer s salary grade or band level based on compensation data of our peer group and other general industry surveys. These grant value guidelines are developed by management and presented to the Compensation Committee for its review and approval. Specific awards are then made to our executive officers based on the Chief Executive Officer s recommendations taking into account the grant value guidelines and each officer s individual performance, potential for advancement, and importance to the Company s long-term success.

Our Fiscal 2012 2014 Award Program

In August 2011, the Compensation Committee approved the mix of equity-based awards that comprise the long-term incentive program for fiscal 2012 2014. The program approved by the Compensation Committee differed from prior years to reflect several key factors and objectives: increase the weight of performance-based equity awards; motivate strong financial performance over a three-year performance cycle; the expectation that the Spin-Off will be completed towards the end of the first year of the three-year performance cycle; and the recognition that participants can be classified into three distinct groups based on their post-Spin-Off employment status future employees of the spun-off company, future employees of the continuing business of the Company and employees who will be terminated as a result of the Spin-Off. Based on these factors and objectives, key elements of the fiscal 2012 2014 program include the following:

- award grants to senior management (including the named executive officers other than Mr. Bennink) were comprised of only PSUs or a combination of PSUs and stock options;
- participants in the fiscal 2012 2014 program received approximately one-third of the equity grant in fiscal 2012 and, if still employed by Hillshire Brands, received the remaining two-thirds of the fiscal 2012 2014 equity grant after the Spin-Off;
- the portion of the fiscal 2012 2014 PSUs that was granted in fiscal 2012 was earned based on the fiscal 2012 operating income performance of consolidated Sara Lee, while the portion of the fiscal 2012 2014 PSUs granted in fiscal 2013 will be earned based on the total shareholder return of Hillshire Brands during fiscal 2013 2014 as compared to a peer group of companies;

fiscal 2012 2014 award grants to the named executives officers that remained with Hillshire Brands following the Spin-Off did not provide for accelerated vesting upon completion of the Spin-Off.

In November 2011, the Compensation Committee granted long-term incentive awards to each of the named executive officers, other than Messrs. Connolly, Bennink and van Oers. These annual award grants are typically made in August but were delayed until certain Spin-Off details were determined. For the fiscal 2012 2014 program, named executive officers remaining with Hillshire Brands after the Spin-Off received their long-term incentive value 50% in PSUs and 50% in stock options.

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In January 2012, Mr. Connolly received his fiscal 2012 2014 long-term incentive award in connection with the commencement of his employment, while Mr. Bennink received an interim long-term incentive grant. Consistent with the November 2011 award allocation, Mr. Connolly received his long-term incentive value as 50% PSUs and 50% stock options. Mr. Bennink s fiscal 2012 long-term incentive award was delivered 50% in PSUs and 50% in RSUs, which reflected his role in overseeing the Spin-Off rather than operating the business. Due to his planned termination from the Company, Mr. van Oers did not receive a long-term incentive grant for the fiscal 2012 2014 award program.

Under the program, the PSUs will be earned if pre-determined performance targets are achieved during the performance cycle. As noted above, the portion of the fiscal 2012 2014 PSU grant that occurred in fiscal 2012 are earned based on consolidated Sara Lee s adjusted operating income performance in fiscal 2012. Under the fiscal 2012 2014 award program, payouts could range from 0% to 150% of the target PSUs granted, based on the following grid:

	Threshold (1)	Target	Maximum
Performance % of Target	90% of Target	100%	109% of Target
Payout % of PSUs Granted (2)	25%	100%	150%

(1) Results below Threshold result in a zero payout.
(2) Payouts between levels are determined by straight-line interpolation.

The Company achieved approximately 97.2% of the target adjusted consolidated operating income goal of $851 million, resulting in the vesting of 80.1% of the PSUs granted in fiscal 2012 to executives under the fiscal 2012 2014 award program. For the employees remaining with Hillshire Brands following the Spin-Off, the vested PSUs were converted to service-based RSUs that will vest in full if the employee remains employed by Hillshire Brands through August 31, 2014. For employees who terminated from the Company in connection with the Spin-Off, the PSUs were settled in shares of Hillshire Brands in fiscal 2013.

The number of RSUs, PSUs and stock options granted was based on the closing market price of our common stock on the grant date and a Black-Scholes option value of 22.07% of the grant price, if applicable. The stock options were non-qualified stock options with a ten-year term, and the stock options will cliff vest 100% on August 31, 2014, if the employee remains employed by Hillshire Brands through the vesting date.

The RSUs granted to Mr. Bennink in January 2012 are scheduled to vest on January 31, 2013; however, upon completion of the Spin-Off prior to the vesting date, the RSUs vested on a pro-rata basis. In light of Mr. Bennink s appointment as Chairman of D.E MASTER BLENDERS, these RSU were structured so that they would convert into shares of D.E MASTER BLENDERS, rather than shares of Hillshire Brands, upon vesting.

The portion of the fiscal 2012 2014 PSU granted in fiscal 2013 will vest on August 31, 2014 based on the two-year total shareholder return of Hillshire Brands as compared to a peer group of companies. Under the fiscal 2012 2014 award program, payouts of the fiscal 2013 PSU grant could range from 0% to 150% of the target PSUs granted, based on the following grid:

Relative Percentile TSR Performance Result	Payout % of PSUs Granted (1)
> 90th percentile	150%
70th percentile	125%
50th percentile	100%
25th percentile	50%
< 25th percentile	0%

(1) Payouts between levels are determined by straight-line interpolation.

In fiscal 2012, Hillshire Brands engaged Mercer to assist with developing a peer group of companies for purposes of measuring Hillshire Brands total shareholder return performance (TSR peer group). Based on its review, Mercer developed a TSR peer group consisting of the fiscal 2012 peer group described above and 16 additional companies with the following characteristics:

- Similar industry and size;
- Competitor for business and capital;
- Food and beverage operational focus; and
- High proportion of domestic sales.

The TSR peer group, which was also reviewed by the Compensation Committee s independent compensation consultant and reviewed and approved by our Compensation Committee, consists of the following companies in addition to the companies included in the fiscal 2012 peer group discussed above:

Boston Beer Company, Inc.	Lancaster Colony Corporation
Chiquita Brands International, Inc.	Monster Beverage Corporation
General Mills, Inc.	National Beverage Corp.
Green Mountain Coffee Roasters, Inc.	Pilgrim s Pride Corporation
Hain Celestial Group, Inc.	Seneca Foods Corporation
H.J. Heinz Company	Smart Balance, Inc.
J&J Snack Foods Corp.	Snyder s-Lance, Inc.
Kellogg Company	Tootsie Roll Industries, Inc.

Our Outstanding Fiscal 2011 2013 and Fiscal 2010 2012 Award Programs

Our long-term incentive awards for fiscal 2011 2013 were granted in the form of 50% PSUs, 25% stock options and 25% RSUs, while the long-term incentive awards for fiscal 2010 2012 were granted in the form of 50% RSUs, 25% stock options and 25% PSUs. In connection with the Spin-Off and as required by the plan documents, the Compensation Committee adjusted the outstanding equity awards under the fiscal 2011 2013 and fiscal 2010 2012 award programs to reflect the relative share values of Hillshire Brands and D.E MASTER BLENDERS as result of the Spin-Off and to preserve the pre-Spin-Off intrinsic value of each equity grant. For outstanding stock options, both the number of shares subject to the outstanding equity awards and the exercise price were adjusted to preserve the pre-Spin-Off intrinsic value of each equity grant. In addition, the Compensation Committee approved the acceleration of the vesting of the outstanding fiscal 2011 2013 and fiscal 2010 2012 awards as of the date of the Spin-Off.

Outstanding PSUs

Under the fiscal 2011 2013 and fiscal 2010 2012 programs, the PSUs vested only if pre-determined cumulative adjusted operating income targets were achieved by the end of the performance periods. For the fiscal 2011 2013 and the fiscal 2010 2012 performance periods, the cumulative adjusted operating income targets equaled approximately $3,201 million and $3,679 million, respectively. Under each program, payouts could range from 0% to 150% of the target PSUs granted, based on the following grid:

	Threshold (1)	Target	Maximum
Performance % of Target	90% of Target	100%	110% of Target
Payout % of PSUs Granted (2)	25%	100%	150%

(1) Results below Threshold result in a zero payout.
(2) Payouts between levels are determined by straight-line interpolation.

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In fiscal 2012, as a result of the Spin-Off, PSUs for employees, including the named executive officers, vested based on a combination of actual performance and target performance. The number of PSUs that vested in each case equaled the sum of (i) the number of PSUs that would have vested for the full performance cycle based on performance through the Spin-Off date, prorated to reflect the portion of the performance cycle that elapsed as of the Spin-Off date; and (b) the number of PSUs that would have vested for the full performance cycle assuming target performance, prorated to reflect the portion of the performance cycle between the Spin-Off date and the end of the performance cycle. See the Option Exercises and Stock Vested in Fiscal Year 2012 table for further information regarding the number of PSUs that vested during fiscal 2012.

Outstanding RSUs and Stock Options

RSUs and stock options granted in fiscal 2011 and fiscal 2010 were originally scheduled to cliff vest on August 31, 2013 and August 31, 2012, respectively. Vesting of the outstanding RSUs was accelerated at the time of the Spin-Off. With respect to outstanding stock options, employees who continued with Hillshire Brands or D.E MASTER BLENDERS were allowed to elect to either (i) have the vesting of their outstanding stock options accelerate at the time of the Spin-Off, with a six-month exercise period, or (ii) maintain the original vesting and exercise terms. All of the named executive officers elected to accelerate the vesting of their stock options at the time of the Spin-Off. See the Outstanding Equity Awards at Fiscal 2012 Year-End Table and the Option Exercises and Stock Vested in Fiscal 2012 table for further information regarding the impact of the Spin-Off on each named executive officer s outstanding equity awards.

Our Fiscal 2013 2015 Award Program

In August 2012, the Compensation Committee approved the mix of equity-based awards that comprise the long-term incentive program for fiscal 2013 2015. Named executive officers and other executives currently employed by Hillshire Brands received 50% of their long-term incentive value in PSUs and 50% in stock options consistent with the previous year. Under the award program, the PSUs will be earned based on Hillshire Brands total shareholder return performance compared to the TSR peer group described above. Payouts will range from 0% to 150% of the target PSUs granted, based on the results described under the Fiscal 2012 2014 Award Program.

The number of stock options and PSUs granted was based on the closing market price of our common stock on the grant date and a Black-Scholes option value of 23.32% of the grant price. The stock options were non-qualified options with a ten-year term and will vest 100% on August 31, 2015.

Severance and Change in Control Arrangements

Our Severance Plans for Corporate Officers provide benefits in the event an executive officer is involuntarily separated from the Company. Benefits under the Severance Plans are a function of the individual s level and service, with a maximum severance period of 24 months. These programs are provided as a temporary source of income following an officer s involuntary termination of employment (without cause) and, in the case of a change in control of the Company, to also help provide continuity of management through the transaction. We periodically compare the program provisions against our peer group to review their market competitiveness. Based on the most recent analysis, we believe the severance provisions contained in our Severance Plans for Corporate Officers are appropriate.

The Change in Control Plan contained in the Severance Plans for Corporate Officers provides that the maximum severance payment to the top tier of executive officers covered by the plan is two and one-half times an affected executive officer s base salary plus target annual incentive opportunity. This plan has a double trigger requirement for severance, meaning that before severance is payable both a change in control of the Company must occur and the executive officer s employment also must be terminated. The Company does not provide excise tax reimbursements or gross-ups on any change in control benefits.

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While our Severance Plans for Corporate Officers reduces the need to negotiate individual severance provisions, the Compensation Committee recognizes that under certain circumstances individual severance arrangements may be desirable or beneficial to the Company. Accordingly, the Compensation Committee has the discretion to negotiate individual severance arrangements with participants covered by the plan when circumstances warrant such arrangement. The Board, however, has adopted a policy requiring stockholder approval prior to entering into any severance arrangement with an executive officer that would provide severance benefits in an amount exceeding 2.99 times the individual s base salary and target bonus.

On August 30, 2011, we signed a Settlement Agreement with Frank van Oers, whose employment was terminated in December 2011. The terms of his Settlement Agreement are described on page 45 of this proxy statement and are consistent with the benefits that would have been provided to Mr. van Oers under our Severance Plans for Corporate Officers. In addition, effective upon the consummation of the Spin-Off, Messrs. Smits and Garvey separated from the Company. Each of Messrs. Smits and Garvey are receiving severance benefits in accordance with the terms of the Severance Plans for Corporate Officers. Mr. Bennink resigned as Executive Chairman of Hillshire Brands effective upon consummation of the Spin-Off and his employment terminated with Hillshire Brands in July 2012. Pursuant to the terms of his employment, Mr. Bennink is not eligible to receive severance benefits.

See Potential Payments Upon Termination of Change of Control Table and related narrative beginning on page 42 for more detail.

Benefit Program Components

We offer our executive officers and other salaried employees a comprehensive benefit package that is competitive in comparison to our peer group, provides protection against catastrophic expenses, and provides the opportunity to accumulate adequate retirement income. Our benefits package includes both company-sponsored programs as well as voluntary programs in which employees may choose to participate. We periodically compare the competitiveness of our benefits program against our peer group. It is our objective to provide our executive officers with a benefits program that, in its aggregate value, approximates the median value of the benefit programs of our peer group. We analyzed the competitiveness of the U.S. salaried employees benefit program in calendar 2011 and found it met this objective.

The benefit programs discussed in this section are only those provided to the named executive officers. Mr. van Oers is a resident of The Netherlands and participated in the Company-sponsored programs applicable to that country.

Retirement Programs

The retirement program for the named executive officers in the United States hired before July 1, 2005 consists of a defined benefit pension plan and a defined contribution Section 401(k) plan. Effective July 1, 2005, we changed our retirement plan design by closing the defined benefit plan to new entrants and enhancing our contributions to the 401(k) plan. Effective April 30, 2010, we froze our defined benefit plan for all salaried participants and enhanced contributions to all active participants. Mr. van Oers participated in the Stichting Pensioenfonds Sara Lee Nederland (the Dutch Pension Plan). The Dutch Pension Plan is a combination defined benefit/defined contribution plan. The terms and conditions of these plans are described beginning on page 51 of this proxy statement.

We also maintain supplemental retirement plans which allow those employees whose compensation exceeds limits established by the Internal Revenue Code for covered compensation and benefit levels to receive the same benefits they would have earned but for these limitations. These supplemental plans, in effect, enable participants to receive the same benefits provided to those employees not impacted by these Internal Revenue Code limits.

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Deferred Compensation Plan

We offer a deferred compensation plan that provides our executive officers in the United States, including the named executive officers, the ability to defer the taxation of base salary, annual incentive award payments, and certain long-term incentives, not including stock option gains. The plan is non-tax-qualified, unfunded, and provides two investment alternatives for compensation credited to the plan. Those alternatives are an interest credit account, with an interest rate for calendar 2012 of 3.11% (which is set at the cost to the Company of its issuing debt with a five-year maturity, but not to exceed 120% of the applicable federal long-term rate), and a Hillshire Brands common stock equivalent account. We offer this plan to our executives as a competitive pay practice.

Perquisites and Other Benefits

Perquisites. We provide perquisites to our executive officers that are typical of those provided senior executives at the companies in our peer group. These perquisites include car allowances and financial counseling. Financial counseling is not available to executives employed with Hillshire Brands after the Spin-Off.

Healthcare Plan. The named executive officers participate in the same healthcare plans as our other salaried employees.

Disability and Life Insurance Plans. During fiscal 2012, the named executive officers were eligible to participate in a long-term disability program that provided for income replacement benefits of up to 75% of monthly base salary plus 50% of the prior three-year average bonus up to a maximum monthly benefit of $41,667. The named executive officers domiciled in the United States also participated in a universal life insurance program that provided coverage, during active service, equal to three times the individual s base salary and then dropped to one times base salary upon retirement. Coverage in the event of disability equaled three times the individual s base salary for a period of twenty-four months following the determination of disability and then was reduced to one times base salary thereafter. The Company terminated the executive long-term disability program in December 2011 and the universal life insurance program in July 2012. Executives of the Company are eligible to receive disability and life insurance benefits on the same basis as our other salaried employees.

How We Make Compensation Decisions

Role of the Compensation and Employee Benefits Committee

The Compensation Committee is responsible for the review and approval of all aspects of our executive compensation program and makes all decisions regarding the compensation of our executive officers, including the named executive officers. The Compensation Committee, in consultation with the other independent directors, is responsible for, among its other duties, the following actions related to the Chief Executive Officer and other senior executives:

Review and approval of corporate performance goals and objectives relevant to compensation;

Evaluation of individual performance results in light of these goals and objectives;

Evaluation of the competitiveness of the total compensation package; and

Approval of any changes to the total compensation package, including but not limited to base salary, annual and long-term incentive award opportunities and payouts and retention programs.

The Compensation Committee s charter is posted on our web site at *www.hillshirebrands.com* on the Our Company page under the link Committee Charters.

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Role of Chief Executive Officer in Compensation Decisions

Our Chief Executive Officer recommends to the Compensation Committee any compensation changes affecting the officers under the Compensation Committee s purview, other than himself. Within the framework of the compensation programs approved by the Compensation Committee and based on management s review of market competitive pay for comparable positions, each year our Chief Executive Officer recommends the level of base salary increase and the long-term incentive award value for the other officers. These recommendations are based upon the Chief Executive Officer s assessment of the individual s performance, longer-term potential, the performance of the individual s respective business or function and employee retention considerations. The Compensation Committee reviews the Chief Executive Officer s recommendations and must approve any compensation changes affecting executive officers or executives who are in salary grade 38 and above or salary band Senior Vice President I and above, which include all of the Company s executive officers. Analyses of competitive Chief Executive Officer pay and recommendations for salary, AIP and long-term incentive compensation actions are performed by the Compensation Committee s independent consultant and reviewed by the Compensation Committee in executive session. The Chief Executive Officer does not participate in any decisions affecting his own compensation.

Determination of Mr. Connolly s Compensation Package

Mr. Connolly, our Chief Executive Officer, initially was hired in January 2012 as Executive Vice President of Sara Lee and as Chief Executive Officer of Sara Lee s North American operations. Mr. Connolly assumed the role of Chief Executive Officer of Hillshire Brands on June 28, 2012. In determining his total compensation package, a competitive analysis was performed to review chief executive officer pay at our peer companies. Mr. Connolly s compensation package includes (i) an initial base salary of $900,000, (ii) a target bonus opportunity of 100% of his base salary, (iii) a fiscal 2012 2014 long-term incentive award of $1,800,000, and (iv) a fiscal 2013 2015 long-term incentive award of $3,000,000. Mr. Connolly also received a new-hire payment equal to $1,650,000 in cash and $2,000,000 in restricted common stock relating to forfeited compensation under his prior employer s long-term incentive program and a $250,000 cash payment relating to forfeited compensation under his prior employer s annual incentive program. See the Fiscal 2012 Summary Compensation Table for further information regarding the compensation paid to or earned by Mr. Connolly during fiscal 2012.

Determination of Ms. Henry s Compensation Package

Ms. Henry, our Chief Financial Officer, initially was hired in July 2011 as Chief Financial Officer of the consolidated Sara Lee s North American operations. Ms. Henry assumed the role of Chief Financial Officer of the Company on June 28, 2012. In determining her total compensation package, a competitive analysis was performed to review chief financial officer pay at our peer companies. Ms. Henry s compensation package includes (i) an initial base salary of $575,000, (ii) a target bonus opportunity of 80% of her base salary, and (iii) a fiscal 2012 2014 long-term incentive award of $1,250,000. Ms. Henry also received a new-hire sign on bonus payment, as an inducement to join the company, equal to $75,000 in cash (net of $40,953 in tax gross-up payments) and $500,000 in restricted common stock. The restricted stock vests on the first anniversary of the grant date or, if earlier, completion of the Spin-Off. See the Fiscal 2012 Summary Compensation Table for further information regarding the compensation paid to or earned by Ms. Henry during fiscal 2012.

Role of Compensation Consultants

The Compensation Committee has retained Frederic W. Cook & Co. as its independent executive compensation consultant. The relationship between the Compensation Committee and Frederic W. Cook & Co. is described beginning on page 7 of this proxy statement under Relationship with Executive Compensation Consultant.

In connection with the Spin-Off, the Company directly engaged Mercer to advise on compensation arrangements post-Spin-Off and to assist in the development of a new peer group aligned with the Company s post-Spin-Off operational focus and size.

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Other Compensation Policies

Stock Ownership

One of the key objectives of our executive compensation program is alignment with the long-term interests of our stockholders. We believe that an effective way to achieve this alignment is to ensure that our executive officers are stockholders and have a significant financial interest in the Company. We have had some form of executive stock ownership program since 1991. Our program currently applies to approximately 45 executives.

The ownership requirements vary by the executive s level and range from a minimum of 2,000 shares to a maximum of 80,000 shares, adjusted for the Reverse Stock Split. The ownership requirement for our Chief Executive Officer is 80,000 shares and ranges from 10,000 to 20,000 shares for the remaining named executive officers. When expressed as a percentage of base salary (using the Company s closing price on June 29, 2012), the requirements are approximately 258% of Mr. Connolly s base salary and range from 101% 184% for the other named executive officers. Executives have five years from the time they are hired or promoted into a given position to attain the required ownership level. Stock options and PSUs do not count towards meeting these requirements; however unvested RSUs are counted towards the requirements. The Compensation Committee reviews program compliance annually and, as of January 2012 (the last compliance review), all covered executives were in compliance or are expected to meet the stock ownership guidelines within the applicable period.

Compensation Recovery

Our AIP program document and the award agreements for all long-term equity incentive awards permit us to cancel the outstanding award if the holder of the award engages in an activity that is contrary or harmful to the interests of Hillshire Brands. In addition, the AIP program document and the award agreements for the PSUs granted to our executive officers, including the named executive officers, permit the Compensation Committee to increase or decrease the amount paid out under an award if the original payout amount was calculated based on our financial results and we restate our financial statements due to material noncompliance with the SEC s financial reporting requirements within two years after the date the award was paid out.

Derivatives Trading and Hedging

All of Hillshire Brands officers, directors and employees, including the named executive officers, are required to comply with our Global Business Standards, which prohibit persons covered by the Global Business Standards from engaging in short sales or trading in puts, calls or other options on Hillshire Brands common stock.

Opportunity for Stockholder Feedback

The Compensation Committee carefully considers feedback from our stockholders regarding our executive compensation program. Stockholders are invited to express their views to the Compensation Committee as described under the heading Communications with the Board of Directors on page 5 of this proxy statement.

In addition, the Compensation Committee also seeks to ensure that Hillshire Brands executive compensation program is aligned with the interests of its stockholders. In that respect, as part of its ongoing review of Hillshire Brands executive compensation program, the Compensation Committee considered the affirmative stockholder say on pay vote at Hillshire Brands 2011 Annual Meeting of Stockholders and determined that Hillshire Brands executive compensation objectives and compensation elements continued to be appropriate and did not make any changes to Hillshire Brands executive compensation program in response to such stockholder vote. At the October 2011 Annual Meeting of Stockholders, approximately 98% of votes cast were voted in favor of the compensation paid to Hillshire Brands named executive officers.

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Compensation Committee Report

The Compensation and Employee Benefits Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained in this proxy statement. Based on its review, the Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and its Annual Report on Form 10-K for fiscal 2012.

Compensation and Employee Benefits Committee

Jonathan P. Ward, Chairperson, Ellen L. Brothers and Virgis W. Colbert

Summary Compensation Table and Narrative Disclosure

The following table presents, for the fiscal years ended June 30, 2012, July 2, 2011 and July 3, 2010, the compensation of our named executive officers. For fiscal 2012, our named executive officers included Sean M. Connolly, our principal executive officer, Maria Henry, our principal financial officer, and Messrs. Callahan, Davis, and Hayes, the next three most highly-compensated executive officers who were serving as executive officers of Hillshire Brands at the end of fiscal 2012. The fiscal 2012 named executive officers also included Marcel H.M. Smits, our former principal executive officer, Mark A. Garvey, our former principal financial officer, and Messrs. Bennink, and van Oers, who would have been among Hillshire Brands next three most highly compensated individuals if they had continued to serve as executive officers on the last day of the fiscal year.

For information on the role of each component within the total compensation package, see the relevant description in the Compensation Discussion and Analysis beginning on page 24 of this proxy statement. For more information regarding how the amounts in the table are calculated, see the narrative that follows the footnotes to the table.

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Fiscal 2012 Summary Compensation Table

Name and Principal Position	Year	Salary ($) (1)	Bonus ($) (2)	Stock Awards ($) (3)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($) (4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($) (5)	Total ($)
Sean M. Connolly (6) Chief Executive Officer	2012	$ 413,077	$ 2,313,077	$ 2,300,017	$ 300,022	$ 0	$ 0(7)	$ 56,010	$ 5,382,203
Maria Henry (6) Executive Vice President and Chief Financial Officer	2012	$ 549,199	$ 75,000	$ 708,360	$ 208,353	$ 198,613	$ 0(7)	$ 90,337	$ 1,829,862
Thomas P. Hayes (6) Executive Vice President and Chief Supply Chain Officer	2012	$ 369,520	$ 0	$ 125,010	$ 125,012	$ 147,942(8)	$ 0(7)	$ 75,089	$ 842,572
Andrew P. Callahan (6) Executive Vice President and President, Retail	2012	$ 285,575	$ 0	$ 125,010	$ 125,012	$ 116,704(9)	$ 0(7)	$ 66,647	$ 718,948
Donald C. Davis (6) Senior Vice President and President, Foodservice	2012	$ 270,446	$ 0	$ 39,170	$ 39,173	$ 79,665(10)	$ 430,532	$ 60,303	$ 919,289
Marcel H.M. Smits Former Chief Executive Officer	2012	$ 800,000	$ 0	$ 1,333,347	$ 0	$ 1,152,410	$ 0(7)	$ 353,074	$ 3,638,831
	2011	$ 736,347	$ 0	$ 3,000,026	$ 1,000,005	$ 659,218	$ 0(7)	$ 273,505	$ 5,668,902
	2010	$ 511,815	$ 0	$ 1,012,520	$ 398,748	$ 947,456	$ 0(7)	$ 265,179	$ 3,135,718
Mark A. Garvey Former Chief Financial Officer	2012	$ 475,000	$ 0	$ 500,003	$ 0	$ 675,477	$ 275,532	$ 108,509	$ 2,034,521
	2011	$ 393,473	$ 0	$ 750,014	$ 250,005	$ 271,745	$ 13,231	$ 391,473(11)	$ 2,069,941
	2010	$ 346,000	$ 0	$ 562,514	$ 185,457	$ 524,584	$ 260,775	$ 36,016(11)	$ 1,915,346
Jan Bennink Former Executive Chairman	2012	$ 1,000,000	$ 0	$ 5,251,006	$ 0	$ 1,744,006	$ 0(7)	$ 280,885	$ 8,275,897
	2011	$ 424,603	$ 364,583	$ 2,625,004	$ 2,625,003	$ 546,875	$ 0(7)	$ 119,520	$ 6,705,589
Frank van Oers (12) Former Executive Vice President; Chief Executive Officer, International Beverage and Bakery	2012	$ 246,499	$ 0	$ 0	$ 0	$ 581,936	$ 329,642	$ 3,050,766	$ 4,208,843
	2011	$ 560,107	$ 0	$ 825,023	$ 275,002	$ 476,439	$ 59,450	$ 231,524	$ 2,427,546
	2010	$ 476,582	$ 0	$ 975,015	$ 321,456	$ 689,330	$ 287,673	$ 206,286	$ 2,956,343

(1) All of the amounts in the table for Mr. van Oers, except for the amounts reported in the Stock Awards and Option Awards columns, were denominated in Euros and converted to U.S. dollars at the rate of 1 Euro = 1.25765 U.S. dollars, the currency exchange rate as of June 30, 2012, for 2012 amounts, and 1 Euro = 1.45309 U.S. dollars, the currency exchange rate as of July 1, 2011, for 2011 amounts, and 1 Euro = 1.252 U.S. dollars, the currency exchange rate as of July 2, 2010, for 2010 amounts.

(2) For Mr. Connolly, the Bonus represents new-hire payments of $1,900,00 to compensate him for forfeited compensation under his prior employer s compensation programs ($1,650,000 for forfeited long-term incentive awards and $250,000 for forfeited annual incentive compensation) and $413,077 as a guaranteed payout at the target performance level under Hillshire Brands fiscal 2012 Annual Incentive Plan (AIP). Mr. Connolly joined Hillshire Brands in the third quarter of fiscal 2012, so the Company guaranteed Mr. Connolly a bonus under the fiscal 2012 AIP equal to a prorated portion of his target bonus opportunity. For Ms. Henry, the Bonus represents a $75,000 new hire sign on payment to induce her to join the Company, excluding the tax gross up included in All Other Compensation.

(3) The amounts reported in the table include PSUs based on the grant date fair value and shares of restricted common stock granted to Mr. Connolly and Ms. Henry in connection with joining the Company. The PSUs assume a probable outcome (i.e., target) of the performance conditions and do not reflect the value that may ultimately be realized by the named executive officer. The grant date fair value assuming maximum performance, based on the maximum number of PSUs multiplied by the closing market price on the grant date, is as follows: Mr. Connolly $450,016, Ms. Henry $312,525, Mr. Hayes $187,515, Mr. Callahan $187,515, Mr. Davis $58,745, Mr. Smits $2,000,030, Mr. Garvey $750,004, and Mr. Bennink $3,937,518.

(4) Consists of payments under the fiscal 2012 AIP, which is described beginning on page 26 of this proxy statement.

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(5) Amounts shown in the All Other Compensation column for fiscal 2012 consisted of the following:

Name	Expatriate Payments (a)	Company Contributions To Defined Contribution Plans (b)	Company Paid Life Insurance Premiums	Personal Use of Corporate Automobile (c)	Car Allowance (d)	Financial Counseling	Severance	Other (e)	Total (f)
Sean M. Connolly	$ 0	$ 4,238	$ 2,165	$ 0	$ 6,000	$ 0	$ 0	$ 43,607	$ 56,010
Maria Henry	$ 0	$ 13,168	$ 18,992	$ 0	$ 17,146	$ 0	$ 0	$ 41,031	$ 90,337
Thomas P. Hayes	$ 0	$ 54,792	$ 8,194	$ 0	$ 12,103	$ 0	$ 0	$ 0	$ 75,089
Andrew P. Callahan	$ 0	$ 48,958	$ 7,078	$ 0	$ 10,611	$ 0	$ 0	$	