

HUDSON HIGHLAND GROUP INC  
Form DEF 14A  
March 16, 2012

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14A INFORMATION**

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

Filed by the Registrant  x  
Filed by a Party other than the Registrant  o  
Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, For Use of the Commission Only (as Permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

**Hudson Highland Group, Inc.**

(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
  - o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:
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(1) Amount Previously Paid:

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(3) Filing Party:

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## HUDSON HIGHLAND GROUP, INC.

# NOTICE OF ANNUAL MEETING OF STOCKHOLDERS To Be Held April 26, 2012

### To the Stockholders of Hudson Highland Group, Inc.:

We are providing notice that the annual meeting of stockholders of Hudson Highland Group, Inc. will be held on Thursday, April 26, 2012, at 8:00 A.M., local time, at the offices of Foley & Lardner LLP, 90 Park Avenue, 39<sup>th</sup> Floor, New York, New York 10016, for the following purposes:

1. To elect two directors to hold office until the 2015 annual meeting of stockholders and until their successors are duly elected and qualified;
  2. To approve, by advisory vote, the compensation of our named executive officers as disclosed in the accompanying proxy statement;
  3. To approve an amendment and restatement of the Hudson Highland Group, Inc. 2009 Incentive Stock and Awards Plan;
  4. To approve an amendment to our Amended and Restated Certificate of Incorporation to change our corporate name to Hudson Global, Inc. from Hudson Highland Group, Inc.; and
  5. To ratify the appointment of KPMG LLP as independent registered public accounting firm to audit Hudson Highland Group, Inc.'s financial statements for the fiscal year ending December 31, 2012.
- We also will consider and act upon such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

Only stockholders of record at the close of business on February 27, 2012 will be entitled to vote at the annual meeting and any adjournment or postponement of the meeting.

**Your vote is important no matter how large or small your holdings may be. To assure your representation at the meeting, please vote your shares over the Internet or via the toll-free telephone number, as instructed in the Notice of Internet Availability of Proxy Materials. You also may request a printed proxy card to submit your vote by mail. You will not receive a printed copy of the proxy materials unless you request them, as instructed in the Notice of Internet Availability of Proxy Materials.**

**For directions to the annual meeting please write Latham Williams, Corporate Secretary, Hudson Highland Group, Inc., 560 Lexington Avenue, 5<sup>th</sup> Floor, New York, New York 10022 or call (212) 351-7300.**

By Order of the Board of Directors  
HUDSON HIGHLAND GROUP, INC.

Latham Williams  
*Corporate Secretary*

New York, New York  
March 16, 2012



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**HUDSON HIGHLAND GROUP, INC.  
560 Lexington Avenue, 5<sup>th</sup> Floor**

**New York, New York 10022**

**PROXY STATEMENT  
For  
ANNUAL MEETING OF STOCKHOLDERS  
To Be Held April 26, 2012**

**ANNUAL MEETING INFORMATION**

Our Board of Directors is soliciting proxies for use at our annual meeting of stockholders, which will be held on Thursday, April 26, 2012, at 8:00 A.M., local time, at the offices of Foley & Lardner LLP, 90 Park Avenue, 39<sup>th</sup> Floor, New York, New York 10016, and all adjournments or postponements of the meeting, for the purposes set forth in the attached Notice of Annual Meeting of Stockholders.

**On or before March 16, 2012, we mailed to you and our other stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access this proxy statement and our annual report on the Internet and to vote your shares over the Internet or by telephone. You will not receive a printed copy of the proxy materials unless you request them. If you would like to receive a printed copy of our proxy materials, including a printed proxy card on which you may submit your vote by mail, then you should follow the instructions for obtaining a printed copy of our proxy materials contained in the Notice of Internet Availability of Proxy Materials.**

Submitting your proxy over the Internet, by telephone or by executing and returning a printed proxy card will not affect your right to attend the annual meeting and to vote in person. However, your presence at the annual meeting will not in itself revoke your submitted proxy. You may revoke your proxy at any time before it is exercised only by notifying us in writing or in open meeting.

If you submit your proxy over the Internet or by telephone, or you request a printed proxy card and properly execute and return the proxy card by mail, then the persons named as proxies will vote the shares represented by your proxy according to your instructions. If you request a printed proxy card, and properly execute and return the proxy card by mail, but do not mark voting instructions on the proxy card, then the persons named as proxies will vote FOR the two nominees for election as directors referred to in this proxy statement, FOR approval of the compensation of our named executive officers as disclosed in this proxy statement, FOR approval of the amendment and restatement of our 2009 Incentive Stock and Awards Plan, FOR approval of the amendment to our Amended and Restated Certificate of Incorporation to change our corporate name, and FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012. Our management knows of no matters other than those set forth in the Notice of Annual Meeting of Stockholders to be brought before the



annual meeting. However, if any other business or matters properly shall come before the annual meeting, then the persons named as proxies in the form of proxy will vote the shares represented by each proxy in accordance with their judgment on such matters.

Only holders of record of our common stock at the close of business on February 27, 2012 are entitled to vote at the annual meeting. On that date, there were 32,516,562 shares of common stock outstanding and entitled to vote. Each share is entitled to one vote.

**If you would like to attend the annual meeting, you must demonstrate that you were a stockholder on February 27, 2012 and you must bring photo identification with you to the annual meeting. If your shares are held through a broker, bank or nominee, you must bring to the annual meeting a copy of your brokerage account statement, which you can obtain from your broker, bank or nominee that holds your shares. If your shares are registered directly in your name with our transfer agent, BNY Mellon Shareowner Services, you must bring only photo identification with you to the annual meeting.**

TABLE OF CONTENTS**PRINCIPAL STOCKHOLDERS****Management and Directors**

The following table sets forth certain information regarding the beneficial ownership of our common stock as of February 27, 2012 by: (i) each director and nominee; (ii) each of the executive officers named in the Summary Compensation Table set forth below; and (iii) all of the directors, nominees and executive officers (including the executive officers named in the Summary Compensation Table) as a group. Each of the holders listed below has sole voting and investment power over the shares beneficially owned. No holders listed below have pledged any of their shares as security.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percent of Common Stock Beneficially Owned
Jon F. Chait <sup>(2)(3)</sup>	163,617	*
Robert B. Dubner <sup>(1)(3)</sup>	68,293	*
John J. Haley <sup>(1)(3)</sup>	148,293	*
Jennifer Laing <sup>(1)(3)</sup>	73,293	*
Manuel Marquez <sup>(4)</sup>	0	*
David G. Offensend <sup>(1)(3)</sup>	161,054	*
Richard J. Stolz <sup>(1)(3)</sup>	73,293	*
Mary Jane Raymond <sup>(1)(2)</sup>	352,309	1.1 %
Frank P. Lanuto <sup>(2)</sup>	48,961	*
Latham Williams <sup>(1)(2)</sup>	63,840	*
Neil J. Funk <sup>(1)(2)</sup>	78,294	*
Richard S. Gray <sup>(1)(2)</sup>	167,152	*
All directors, nominees and executive officers as a group (13 persons) <sup>(1)(2)</sup>	1,557,683	4.8 %

\*

Denotes less than 1%.

Includes the following shares of common stock subject to stock options, which are exercisable within 60 days of February 27, 2012: Robert B. Dubner, 50,000 shares; John J. Haley, 50,000 shares; Jennifer Laing, 40,000 shares; (1) David G. Offensend, 50,000 shares; Richard J. Stolz, 50,000 shares; Mary Jane Raymond, 190,000 shares; Latham Williams, 26,000 shares; Neil J. Funk, 26,000 shares; Richard S. Gray, 98,000 shares; and all directors, nominees and executive officers as a group, 702,000 shares.

Includes the following shares of restricted common stock, which are subject to forfeiture until they vest: Jon F. Chait, 25,500 shares; Mary Jane Raymond, 74,699 shares; Frank P. Lanuto, 22,382 shares; Latham Williams, (2) 16,907 shares; Neil J. Funk, 18,240 shares; Richard S. Gray, 20,907 shares; and all directors, nominees and executive officers as a group, 178,635 shares.

Includes the following share units under our Director Deferred Share Plan, which are payable only in shares of common stock upon a director ceasing service as a Board member: Jon F. Chait, 2,479 shares; Robert B. Dubner, (3) 18,293 shares; John J. Haley, 23,293 shares; Jennifer Laing, 23,293 shares; David G. Offensend, 23,293 shares; Richard J. Stolz, 18,293 shares; and all directors, nominees and executive officers as a group, 108,944 shares.

(4) In connection with his commencement of employment as Chief Executive Officer of our company, the

Compensation Committee of our Board of Directors granted to Mr. Marquez (i) 100,000 restricted stock units that vest 50% upon completion of two years of employment, 25% upon completion of three years of employment and 25% upon completion of four years of employment with us, and (ii) options to purchase 400,000 shares of our common stock that vest 50% upon completion of two years of employment and 50% upon completion of three years of employment with us.

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TABLE OF CONTENTS**Other Beneficial Owners**

The following table sets forth certain information regarding beneficial ownership by other persons known to us to own more than 5% of our outstanding common stock as of February 27, 2012.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership <sup>(1)</sup>			Investment Power		Percent of Class
	Sole	Shared	Sole	Shared	Aggregate	
Hotchkis and Wiley Capital Management, LLC. 725 South Figueroa St. 39th Floor Los Angeles, CA 90017	2,438,154	0	0	4,757,909	0	14.6%
Heartland Advisors, Inc. 789 North Water St. Milwaukee, WI 53202	0	0	3,560,471	0	3,701,671	11.4%
Schneider Capital Management Corporation 460 East Swedesford Rd. Suite 2000 Wayne, PA 19087	2,230,585	0	0	3,323,384	0	10.2%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	1,942,324	0	0	1,942,324	0	6.0 %
Rutabaga Capital Management 64 Broad St., 3rd Floor Boston, MA 02109	1,508,432	262,900	0	1,771,332	0	5.4 %

These amounts represent the number of shares beneficially owned as disclosed in reports regarding beneficial (1) ownership filed with the Securities and Exchange Commission under Section 13(g) of the Securities Exchange Act of 1934.

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## ELECTION OF DIRECTORS

Our Certificate of Incorporation and By-Laws provide that our directors are divided into three classes, with staggered terms of three years each. At the 2012 annual meeting, our stockholders will elect two directors to hold office until the 2015 annual meeting of stockholders and until their successors are duly elected and qualified.

Listed below are the nominees of our Board of Directors for election at the annual meeting and each director whose term will continue after the annual meeting. All of the members of the Board of Directors other than Mr. Chait approved the nomination of the nominees for director listed below. The following sets forth specific information about each nominee and continuing director as of February 27, 2012.

### Nominees for Election at the Annual Meeting

*Terms Expiring at the 2012 Annual Meeting*

**John J. Haley**, 62, has served as a director since 2003. Mr. Haley is the Chairman of the Board and Chief Executive Officer of Towers Watson & Co., a global professional services company headquartered in New York City. Mr. Haley joined Watson Wyatt Worldwide in 1977 and was elected a director of the firm in 1992. In 2010, Watson Wyatt Worldwide merged with Towers Perrin forming Towers Watson & Co. Mr. Haley is a Fellow of the Society of Actuaries, a Fellow of the Conference of Consulting Actuaries and a member of the American Academy of Actuaries. Mr. Haley is a member of the board of directors for Maximus, Inc., a position he has held since June 2002, and the U.S.-China Business Council. The particular experience, qualifications, attributes or skills that led our Board of Directors to conclude that Mr. Haley should serve as a director of our company include his experience as Chief Executive Officer of an international publicly-traded company of a similar size (in terms of number of employees) and geographic spread as our company, and his financial expertise.

**David G. Offensend**, 58, has served as director since 2003. Mr. Offensend is the Chief Operating Officer of the New York Public Library. Prior to joining the Library in 2004, Mr. Offensend was Senior Advisor of Evercore Partners, Inc., which he co-founded in 1995. Evercore operates in the private equity business and provides merger and acquisition and restructuring advice to companies. Prior to founding Evercore, Mr. Offensend spent five years in the investment organization of Robert M. Bass, the Texas investor. Prior to joining the Bass organization in 1990, Mr. Offensend spent 13 years at Lehman Brothers. Mr. Offensend also was the lead investor in Resources Connection, Inc., a competing company that was successfully taken public in 2000, and serves as a trustee of Princeton University. The particular experience, qualifications, attributes or skills that led our Board of Directors to conclude that Mr. Offensend should serve as a director of our company include his financial and executive compensation expertise, investing experience, and background in mergers and acquisitions.

### Vote Required

Each director will be elected by a plurality of the votes cast at the annual meeting (assuming a quorum is present). Consequently, any shares not voted at the annual meeting, whether due to abstentions, broker non-votes or otherwise, will have no impact on the election of the directors. Shares of common stock represented by executed, but unmarked, proxies will be voted in favor of the election as directors of the persons named as nominees; provided that, if you hold your shares of our common stock through a broker-dealer, bank nominee, custodian or other securities intermediary, the intermediary will not vote those shares for the election of any nominee for director unless you give the intermediary specific voting instructions on a timely basis directing the intermediary to vote for such nominee. Our

Board of Directors has no reason to believe that the listed nominees will be unable or unwilling to serve as directors if elected. However, if any nominee should be unable to serve or will not serve, then the shares represented by proxies received will be voted for another nominee selected by our Board of Directors.

**Our Board of Directors recommends that the nominees identified above be elected as directors and urges you to vote FOR them.**

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## Directors Continuing in Office

*Terms Expiring at the 2013 Annual Meeting*

**Jon F. Chait**, 61, served as Chief Executive Officer and Chairman of the Board of the Company since we were spun off from Monster Worldwide, Inc. ( Monster ) in 2003 until February 22, 2011. He joined Monster in 2002 expressly in contemplation of the spin-off. Prior to joining us, Mr. Chait was the Chairman of Spring Group, PLC, a provider of workforce management solutions, from May 2000 through June 2002 and Chief Executive Officer from May 2000 through March 2002. From 1998 through 2000, Mr. Chait founded and acted as Chairman and Chief Executive Officer of Magenta Limited, a developer of web-enabled human resource solutions, which was subsequently sold to Spring Group, PLC. Mr. Chait served as the Managing Director International Operations of Manpower Inc. from 1995 to 1998, Chief Financial Officer from 1993 to 1998 and Executive Vice President, Secretary and Director from 1991 to 1998, and Executive Vice President from September 1989 to July 1998 of Manpower International Inc., a provider of temporary employment services. Mr. Chait also served as a director of the Marshall & Ilsley Corporation ( M&I ), a bank holding company, from 1990 until 2011 when M&I was acquired by BMO Financial Group. The particular experience, qualifications, attributes or skills that led our Board of Directors to conclude that Mr. Chait should serve as a director of our company include his over 20 years of executive and financial experience in the staffing industry in the geographic markets in which we operate, along with his experience as a director of other publicly-traded staffing and other companies.

**Manuel Marquez**, 53, has served as a director since March 7, 2011 and as Chief Executive Officer and Chairman of the Board of our company since May 13, 2011. Mr. Marquez has over 20 years of experience in senior leadership positions. From 2007 to 2010, he was the chief executive officer of Amper S.A., a publicly traded defense, homeland security and telecommunications company in Spain. Prior to joining Amper, Mr. Marquez spent 15 years in the recruitment industry with Spencer Stuart, an international leader in executive search consulting services. He joined Spencer Stuart in 1991 and co-founded one of the firm's first specialized industry practices, High Technology. From 2000 to 2005, he was a member of the global executive team of Spencer Stuart responsible for the firm's operations in Europe, India and South Africa, expanding this region to 14 countries with over 100 consultants. Mr. Marquez also was a member of the Advisory Board of ESADE Business School from 2007 to 2011. The particular experience, qualifications, attributes or skills that led our Board of Directors to conclude that Mr. Marquez should serve as a director of our company include his experience as a Chief Executive Officer of a publicly-traded company and his global senior leadership experience in the recruiting industry.

**Richard J. Stolz**, 66, has served as a director since 2006 and served as Chairman of the Board from February 22, 2011 until May 13, 2011. Prior to becoming a director, Mr. Stolz was a Partner with PricewaterhouseCoopers LLP until 2004. He served as the New York Region Leader for the Consumer and Industrial Products Industry Group of PricewaterhouseCoopers from 1997 to 2001. From 1988 to 1992, Mr. Stolz worked in Tokyo, Japan, leading the International Division of the PricewaterhouseCoopers affiliate. Mr. Stolz joined PricewaterhouseCoopers in 1967 and became a Partner in accounting and auditing in 1981. The particular experience, qualifications, attributes or skills that led our Board of Directors to conclude that Mr. Stolz should serve as a director of our company include his accounting and auditing background and his international business experience. Mr. Stolz also is a certified public accountant.

*Terms Expiring at the 2014 Annual Meeting*

**Robert B. Dubner**, 69, has served as a director since 2006. Mr. Dubner has been a Senior Advisor to Apollo Management LP, a private equity fund, and Drawbridge Special Opportunities Fund, LLC, an investment firm, since 2005. Prior to that, Mr. Dubner was a management consulting partner and a member of International Business

Machines Corporation's Business Consulting Services Global Middle Market leadership team from 2002 to 2004. Mr. Dubner joined Coopers & Lybrand International in 1989 and was a partner from 1991 to 1998, and then was a partner with PricewaterhouseCoopers LLP from 1998 to 2002, serving as the U.S. and global leader of its middle market consulting practice. He served as an elected member of Coopers & Lybrand's Board of Partners from 1995 to 1998, PricewaterhouseCoopers' U.S. Board of Partners from 1998 to 2001, and PricewaterhouseCoopers' Global Oversight Board from 1998 to 2001. He was the co-founder, in 1972, of Information Automation, Inc., a production management and monitoring



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systems implementation company, and served as its President from 1982 to 1989. Mr. Dubner is also a director of Comverse Technology, Inc., a position he has held since January 2009. Mr. Dubner also was a director of Perf Go-Green Holdings, Inc. from September 2008 to February 2010. The particular experience, qualifications, attributes or skills that led our Board of Directors to conclude that Mr. Dubner should serve as a director of our company include his strategic, management and operational consulting experience, and his financial and accounting background.

**Jennifer Laing**, 65, has served as a director since 2003. Ms. Laing served as the Associate Dean, External Relations at the London Business School from 2002 until 2007. Ms. Laing started her career in brand building and communications in 1969 with Garland-Compton which subsequently became Saatchi and Saatchi in 1975. In 1979, she joined Leo Burnett in London. In 1981, she re-joined Saatchi and Saatchi London as Deputy Chairman rising to Joint Chairman. From 1988 to 1991 she was Chairman and Chief Executive Officer of Aspect Hill Holiday and, following a management buyout of Aspect Hill Holiday, from 1991 to 1995 she led her own firm, Laing Henry, which was eventually purchased by Saatchi and Saatchi. Ms. Laing became Chairman of Saatchi and Saatchi London in 1995 and Chairman and Chief Executive Officer of Saatchi and Saatchi North America from 1997 to 2001. Ms. Laing is also a director of InterContinental Hotels Group PLC, a position she has held since August 2005, and a fellow of both The Marketing Society and the Institute of Practitioners in Advertising. The particular experience, qualifications, attributes or skills that led our Board of Directors to conclude that Ms. Laing should serve as a director of our company include her international experience in branding, marketing and communications, her experience as a senior executive officer, and her experience as a director of other publicly-traded companies.

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# BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

## Independent Directors

Of the seven directors currently serving on our Board of Directors, the Board has determined that Ms. Laing and Messrs. Dubner, Haley, Offensend and Stolz are independent directors under the independence standards of the Nasdaq Global Select Market. Mr. Chait is not permitted to be considered an independent director under the standards of the Nasdaq Global Select Market because he was employed by us as Chief Executive Officer within the past three years.

## Board Committees

Our Board of Directors has standing Audit, Compensation, Nominating and Governance, Human Resources and Executive Committees. Under the standards of the Nasdaq Global Select Market, the members of the Audit, Compensation and Nominating and Governance Committees must be comprised solely of independent directors. Accordingly, Mr. Chait is not eligible to serve on such Committees. All directors receive materials for all Board Committees even if they do not serve, or are not eligible to serve, on a Committee.

The Board has adopted, and may amend from time to time, a written charter for each of the Audit Committee, Compensation Committee, Nominating and Governance Committee, Human Resources Committee and Executive Committee. We maintain a Web site at [www.hudson.com](http://www.hudson.com) and make available on that Web site, free of charge, copies of each of the charters for the Audit, Compensation, Nominating and Governance, Human Resources and Executive Committees. We are not including the information contained on or available through this Web site as a part of, or incorporating such information by reference into, this proxy statement.

### Audit Committee

The Audit Committee presently consists of Richard J. Stolz (Chairman), Robert B. Dubner, John J. Haley and David G. Offensend, each of whom is an independent director under the independence standards of the Nasdaq Global Select Market and Securities and Exchange Commission rules. Our Board of Directors has determined that each of Messrs. Dubner, Haley, Offensend and Stolz qualify as an audit committee financial expert, as defined by the Securities and Exchange Commission. The Audit Committee held eleven meetings in 2011.

The Audit Committee's primary duties and responsibilities are to assist our Board of Directors in monitoring:

- the integrity of our financial statements;
- the independent registered public accounting firm's qualifications and independence;
- the performance of our internal audit function and of the independent registered public accounting firm; and
- our compliance with legal and regulatory requirements.

### Compensation Committee

The Compensation Committee presently consists of Jennifer Laing (Chairman), John J. Haley and David G. Offensend, each of whom is an independent director under the independence standards of the Nasdaq Global Select Market and qualify as outside directors under Section 162(m) of the Internal Revenue Code. The Compensation

Committee held seven meetings in 2011.

The Compensation Committee's primary responsibility is to assure that the non-employee members of our Board of Directors, the Chief Executive Officer, other executive officers and key management are compensated effectively and in a manner consistent with our stated compensation strategy, internal equity considerations, competitive practices and the requirements of the appropriate regulatory bodies. The Compensation Committee has overall responsibility for approving and evaluating the compensation of executive officers (including the Chief Executive Officer), key management and outside directors, and administers our long-term incentive programs, including our equity plan.

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The Compensation Committee has retained the services of an independent, external compensation consultant, Pay Governance LLC. Pay Governance LLC has served as the independent compensation consultant since 2010. The mandate of the consultant is to work for the Compensation Committee in its review of executive and director compensation practices, including the competitiveness of pay levels, executive compensation design issues, market trends and technical considerations. The consultant does not determine or recommend amounts or forms of compensation. The historical and ongoing nature and scope of services rendered by the independent compensation consultant on the Compensation Committee's behalf is described below:

competitive market pay analyses, Board of Director pay studies, dilution analyses, and market trends; ongoing support with regard to the latest relevant regulatory, technical, and/or accounting considerations affecting executive compensation and benefit programs;

guidance on overall compensation program structure and executive employment agreement terms; and preparation for and attendance at selected management, Board committee, or Board of Director meetings.

The Compensation Committee has the final authority to hire and terminate the consultant, and the Compensation Committee evaluates the consultant periodically. In 2011, Pay Governance LLC did not provide any services to the Compensation Committee other than the executive and director compensation-related consulting services as described above. Management did not obtain any services from Pay Governance LLC in 2011.

Additional information regarding the Compensation Committee and our policies and procedures regarding executive compensation, including the role of executive officers in recommending executive compensation, is provided below under Compensation Discussion and Analysis.

### **Nominating and Governance Committee**

The Nominating and Governance Committee presently consists of John J. Haley (Chairman), Robert B. Dubner, Jennifer Laing, David G. Offensend and Richard J. Stolz, each of whom is an independent director under the independence standards of the Nasdaq Global Select Market. The Nominating and Governance Committee held six meetings in 2011.

The Nominating and Governance Committee provides assistance to our Board of Directors by:

identifying individuals qualified to become directors and recommending to the Board candidates for all directorships to be filled by the Board or by our stockholders;

identifying directors qualified to serve on the committees established by the Board and recommending to the Board members for each committee to be filled by the Board;

identifying directors qualified to serve as lead director and recommending to the Board nominees for lead director;

developing and recommending to the Board a set of corporate governance principles, including matters of:

Board organization, membership and function;

Board committee structure and membership;

succession planning for our Chief Executive Officer; and

taking a leadership role in shaping our corporate governance.

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In identifying and evaluating nominees for director, the Nominating and Governance Committee seeks to ensure that our Board of Directors possesses, in the aggregate, the strategic, managerial and financial skills and experience necessary to fulfill its duties and to achieve its objectives. The Nominating and Governance Committee also seeks to ensure that the Board is comprised of directors who have broad and diverse backgrounds, possessing knowledge in areas that are important to us. In addition, the Nominating and Governance Committee believes it is important that at least one director has the requisite experience and expertise to be designated as an audit committee financial expert. The Nominating and Governance Committee looks at each nominee on a case-by-case basis regardless of who recommended the nominee.

In looking at the qualifications of each candidate to determine if their election would further the goals described above, the Nominating and Governance Committee takes into account all factors it considers appropriate, which may include strength of character, mature judgment, career specialization, relevant technical skills or financial acumen, diversity of viewpoint and industry knowledge. The Nominating and Governance Committee also believes that candidates should be selected so that the Board of Directors is a diverse body, with diversity reflecting, among other things, age, gender, race and professional experience. At a minimum, each director nominee must have displayed the highest personal and professional ethics, integrity and values, and sound business judgment. In addition, the Nominating and Governance Committee believes that the following minimum qualifications are necessary for a director to possess to be recommended by the Nominating and Governance Committee to the Board:

A director must be highly accomplished in his or her respective field, with superior credentials and recognition and broad experience at the administrative and/or policy-making level in business, government, education, technology or public interest.

A director must have expertise and experience relevant to our business, and be able to offer advice and guidance to the Chief Executive Officer based on that expertise and experience.

A director must be independent of any particular constituency, be able to represent all of our stockholders and be committed to enhancing long-term stockholder value.

A director must have sufficient time available to devote to activities of the Board and to enhance his or her knowledge of our business.

The Nominating and Governance Committee has the authority to retain a search firm to assist it in identifying director nominees, and the Nominating and Governance Committee provides the search firm with the criteria for the director nominees as described previously.

The Nominating and Governance Committee will consider persons recommended by stockholders to become nominees for election as directors in accordance with the foregoing and other criteria set forth in our Nominating and Governance Committee Charter, which is available on our website as described previously. Recommendations for consideration by the Nominating and Governance Committee should be sent to our Corporate Secretary in writing, together with appropriate biographical information concerning each proposed nominee. Our By-Laws also set forth certain requirements for stockholders wishing to nominate director candidates directly for consideration by the stockholders. With respect to an election of directors to be held at an annual meeting, a stockholder must, among other things, give notice of an intent to make such a nomination to our Corporate Secretary in advance of the meeting in compliance with the terms and within the time period specified in our By-Laws. Pursuant to our By-Laws, a stockholder must give a written notice of intent to our Corporate Secretary not less than 45 days or more than 75 days prior to the first anniversary of the date on which we first mailed our proxy materials for the preceding year's annual meeting of stockholders. See Other Matters Stockholder Proposals for the specific deadlines for submitting stockholder proposals to our Corporate Secretary in connection with the 2013 annual meeting of stockholders.



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### **Human Resources Committee**

The Human Resources Committee presently consists of Robert B. Dubner (Chairman), Jennifer Laing and Richard J. Stolz. The Human Resources Committee held five meetings in 2011.

The Human Resources Committee provides assistance to our Board of Directors by:

assisting management and making recommendations to the Board of Directors regarding human resources and organizational matters, other than compensation and benefits matters, for employees of our company other than our Chief Executive Officer;

participating in the selection process of key executives; and  
reviewing and monitoring our company's succession plan for senior leadership.

### **Executive Committee**

The Executive Committee presently consists of Manuel Marquez (Chairman), Robert B. Dubner and David G. Offensend. The Executive Committee held three meetings in 2011. Richard J. Stolz served as a member of the Executive Committee in 2011 prior to Manuel Marquez becoming our Chief Executive Officer on May 13, 2011, at which time Mr. Marquez replaced Mr. Stolz on the Executive Committee.

The Executive Committee assists the Board of Directors in discharging its responsibilities and may exercise all of the authority of the Board in the management of our business affairs, except for changes in our By-Laws, matters specifically designated to other committees and certain other significant corporate matters.

## **Board Leadership Structure**

Our positions of Chairman of the Board and Chief Executive Officer are combined and we have a lead independent director. We generally have used this leadership structure since we became an independent publicly traded company in 2003. On February 22, 2011, our Board of Directors elected Richard J. Stolz, an independent director, to serve as Chairman in connection with the appointment of Mary Jane Raymond as Interim Chief Executive Officer. However, when Manuel Marquez became Chief Executive Officer of our company on May 13, 2011, he also became Chairman of the Board and the positions of Chairman of the Board and Chief Executive Officer were again combined. The reasons why we have combined these positions and why we continue to believe that combining these positions is appropriate for our company include the resulting operational efficiencies given the size of our company and the particularly detailed knowledge of our company's operations that our Chief Executive Officer develops, which we believe is beneficial for serving as our Chairman.

Our independent directors meet regularly without management, including our Chief Executive Officer, and are active in the oversight of our company. Our Board of Directors and each Board committee have access to members of our management and the authority to retain independent legal, accounting or other advisors as they deem necessary or appropriate. Our Chairman and Chief Executive Officer does not serve on any Board committee except the Executive Committee.

The duties and responsibilities of our lead independent director include the following:

coordinate the activities of the independent directors and serve as a liaison between the independent directors and our Chairman and Chief Executive Officer;

chair meetings and executive sessions at which only the independent directors attend;

advise our Chairman and Chief Executive Officer as to the quality, quantity and timeliness of the flow of information from management that is necessary for the independent directors to effectively perform their duties;  
jointly with the Compensation Committee, conduct an annual evaluation of the performance of the Chairman and Chief Executive Officer and report to the Board of Directors the results of that evaluation;  
in conjunction with the Chairman and Chief Executive Officer, consider potential conflicts of interest of directors;

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conduct exit interviews of senior management upon resignation; and recommend to the Chairman and Chief Executive Officer the retention of outside advisors and consultants who report directly to the Board of Directors.

The Nominating and Governance Committee recommends to our Board of Directors nominees for the position of lead director from among the independent directors. The independent directors on our Board of Directors then select a lead director from among the nominees to serve for a term of one year or until a successor is elected by the independent directors. There is no limit to the number of terms a director can serve as lead director. Richard J. Stolz served as our lead director until April 28, 2011, at which time David G. Offensend became our lead director.

We believe that our board leadership structure provides an appropriate balance between strong and strategic leadership and independent oversight of our company, and that our board leadership structure continues to serve the best interests of our company and stockholders.

## **Risk Oversight**

The Audit Committee of our Board of Directors oversees our risk management process. Our Risk Committee, which consists of certain members of our senior management, has day-to-day responsibility for our risk management process. The members of the Risk Committee are our Chief Executive Officer, Executive Vice President and Chief Financial Officer, Senior Vice President, Legal Affairs and Administration, Vice President, Internal Audit, and Vice President, Operations. Our Vice President, Internal Audit serves as the liaison between the Risk Committee and our Board of Directors. Our Vice President, Internal Audit provides periodic updates to our Board of Directors on behalf of the Risk Committee regarding, among other things, risk assessments and actions taken to mitigate risks. In addition, our Vice President, Internal Audit reports directly to the Chairman of the Audit Committee and, accordingly, also provides periodic updates to the Audit Committee regarding risk management issues, particularly those regarding accounting and finance related risks. Also, our Senior Vice President, Legal Affairs and Administration provides periodic updates to our Board of Directors regarding claims against our company.

## **Corporate Governance Guidelines**

In December 2011, our Board of Directors adopted Corporate Governance Guidelines to further promote the effective functioning of our Board and Board committees and to set forth a common set of expectations as to how our Board and Board committees should perform their functions. Our Corporate Governance Guidelines are available, free of charge, on our Web site at [www.hudson.com](http://www.hudson.com).

## **Meetings and Attendance**

Our Board of Directors held seven meetings in 2011. Each of the directors currently serving on our Board of Directors attended at least 75% of the aggregate number of meetings of the Board held in 2011 and meetings held by each committee of the Board on which such director served during the period that the director so served in 2011. Directors are expected to attend our annual meeting of stockholders each year. At the 2011 annual meeting of stockholders, all of the directors then serving were in attendance.

## **Communications with Board of Directors**

You may communicate with our Board of Directors by writing to our Corporate Secretary at Hudson Highland Group, Inc., c/o the Board of Directors (or, at the stockholder's option, c/o a specific director), 560 Lexington Avenue, 5

Floor, New York, New York 10022. The Corporate Secretary will deliver this communication to the Board or the specified director, as the case may be.

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## **Policies and Procedures Regarding Related Person Transactions**

Our Board of Directors has adopted written policies and procedures regarding related person transactions. For purposes of these policies and procedures:

a related person means any of our directors, executive officers or nominees for director or any of their immediate family members; and

a related person transaction generally is a transaction (including any indebtedness or a guarantee of indebtedness) in which we were or are to be a participant and the amount involved exceeds \$120,000, and in which a related person had or will have a direct or indirect material interest.

Each of our executive officers, directors or nominees for director is required to disclose to the Audit Committee certain information relating to related person transactions for review, approval or ratification by the Audit Committee.

Disclosure to the Audit Committee should occur before, if possible, or as soon as practicable after the related person transaction is effected, but in any event as soon as practicable after the executive officer, director or nominee for director becomes aware of the related person transaction. The Audit Committee's decision whether or not to approve or ratify a related person transaction is to be made in light of the Audit Committee's determination that consummation of the transaction is not or was not contrary to our best interests. Any related person transaction must be disclosed to the full Board of Directors.

TABLE OF CONTENTS**DIRECTOR COMPENSATION**

The following table sets forth information regarding the compensation received by each of our directors during 2011, except Mr. Marquez who did not receive any compensation for serving as a director and whose compensation as an executive officer is set forth below under Executive Compensation Summary Compensation Table.

Name	Fees Earned or Paid in Cash	Stock Awards <sup>(1)</sup>	Option Awards <sup>(2)</sup>	Total
Jon F. Chait <sup>(3)</sup>	\$ 28,324	\$ 15,000	\$ 0	\$ 43,324
Robert B. Dubner	\$ 73,000	\$ 30,125	\$ 0	\$ 103,125
John J. Haley	\$ 82,000	\$ 30,125	\$ 0	\$ 112,125
Jennifer Laing	\$ 77,666	\$ 30,125	\$ 0	\$ 107,791
David G. Offensend	\$ 95,666	\$ 30,125	\$ 0	\$ 125,791
Richard J. Stolz	\$ 86,333	\$ 30,125	\$ 0	\$ 116,458

The dollar amount shown reflects the aggregate grant date fair value calculated in accordance with FASB ASC Topic 718 for all awards of restricted stock granted during the fiscal year under our Director Deferred Share Plan. Assumptions used in the calculation of these amounts are included in Note 9 to the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2011.

(1) During 2011, no independent directors were granted options to purchase shares of our common stock. The aggregate number of outstanding stock options as of December 31, 2011 for each of our directors named above was: Mr. Chait, 0; Mr. Dubner, 50,000; Mr. Haley, 50,000; Ms. Laing, 40,000; Mr. Offensend, 50,000; and Mr. Stolz, 50,000.

(2) Amounts shown reflect compensation received by Mr. Chait for service as a director following his employment as our Chairman and Chief Executive Officer terminating on February 22, 2011. Mr. Chait's compensation as an executive officer prior to that date is set forth below under Executive Compensation Summary Compensation Table.

**Retainer and Meeting Fees**

Each non-employee director was entitled to receive in 2011 an annual retainer of \$25,000 paid in cash and \$15,000 paid in share units as described below under Director Deferred Share Plan, a fee of \$2,000 for each Board and Board committee meeting attended in person and a fee of \$1,000 for each telephonic Board and Board committee meeting in which the director participates. The Chairmen of the Audit Committee and Compensation Committee receive an additional annual retainer of \$10,000, and the Chairmen of the Nominating and Governance Committee and Human Resources Committee receive an additional annual retainer of \$5,000. The lead director also receives an additional annual retainer of \$20,000. Additionally, directors are reimbursed for out-of-pocket expenses associated with attending meetings of the Board and Board committees.

In 2011, using market data provided by Pay Governance, our independent compensation consultant, the Compensation Committee reviewed the compensation of our independent directors. Based on the market data, the Compensation Committee determined it was appropriate to increase the additional annual retainer for the lead director from \$10,000 to \$20,000, and such increase became effective in 2011. Also, based on the market data provided by Pay Governance, the Compensation Committee determined that the total compensation of our independent directors was below the median total compensation of both the industry peer group and the general industry comparator group. As a result, the Compensation Committee determined that it was appropriate to increase total director compensation by increasing the

equity portion of the annual retainer, but to simplify the equity component of director compensation by eliminating the one time grant of share units upon initially being elected or appointed to serve as a non-employee director and the annual grant of share units after three years of Board service. Consequently, beginning on the date of our 2012 annual meeting of stockholders, the portion of the annual retainer paid in share units will increase from \$15,000 to \$65,000 and the one time grant of share units upon initially being elected or appointed to serve as a non-employee director and the annual grant of 2,500 share units after three years of Board service will be eliminated.

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**Director Deferred Share Plan**

The share units paid as part of the annual retainer are awarded under our Director Deferred Share Plan. On the date of the annual meeting of our stockholders, the retirement account of each non-employee director under the Director Deferred Share Plan is credited with the share units, which fully vest on the date of grant. All share units are equivalent to one share of our common stock and are payable only in common stock issued under our 2009 Incentive Stock and Awards Plan upon a director ceasing service as a Board member.

**Stock Options**

Until 2008, upon first being elected or appointed as a director, we granted each non-employee director an option to purchase 50,000 shares of our common stock. The exercise price for options was the fair market value of a share of our common stock on the date of grant. Options have a term of ten years and became exercisable as follows: 40% immediately on the date of grant, 60% after the first anniversary of the date of grant, 80% after the second anniversary and 100% after the third anniversary. If a director ceases service for any reason other than death, then that portion of the option that is exercisable on the date the director ceases service will remain exercisable for a period of two years after such date. If the director's service ceases by reason of the director's death, then the option will remain exercisable by the director's beneficiary for a period of two years after the date of the director's death.

**Stock Ownership Policy**

The Board of Directors considers ownership of our common stock to be an important factor in aligning the interest of directors with those of our stockholders. In December 2011, the Board of Directors established a Stock Ownership Policy for non-employee directors that became effective beginning January 1, 2012. Under the Stock Ownership Policy, non-employee directors are required to own shares of our common stock with a market value equal to at least three times the director's then-current annual cash retainer. A director must satisfy the ownership requirements within five years from the date of the director's appointment to the Board or five years from the effective date of the Stock Ownership Policy, whichever occurs later. Stock ownership can consist of shares owned directly by the director and deferred shares, but vested and unvested stock options and unvested restricted shares will not apply. The value of our common stock held by directors will be measured annually using the greater of the value of our common stock on the date when the shares were vested or purchased and the value of our common stock as of December 31 of the applicable year. Once the value of a director's shares reaches the required market value, the director will be deemed to have met the stock ownership requirements and must retain only the number of shares that were required to meet the stock ownership requirements as of the date the director first met the requirements.

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# COMPENSATION DISCUSSION AND ANALYSIS

## Introduction

The purpose of this Compensation Discussion and Analysis is to provide material information about the compensation of our executive officers named below under Executive Compensation Summary Compensation Table, which we refer to as our named executive officers. In this section, we provide an analysis and explanation of our executive compensation program and the compensation derived by our named executive officers from this program.

## Objectives of the Compensation Program

The central objectives of our compensation program are to attract and retain the talented individuals needed to achieve long-term success and to motivate them to achieve goals designed to enhance long-term stockholder value. The Compensation Committee, which oversees our executive compensation program, believes these goals can best be achieved with a relatively straightforward compensation program consisting of several elements.

## Design of the Total Compensation Program

The key executive compensation policies that underpin our total compensation program are as follows:

Base salaries are targeted at median market levels for comparable companies.

Annual incentives (cash bonuses) are generally designed to provide awards above median market levels for comparable companies for above median performance.

Long term incentives provide equity awards, typically in the form of restricted shares and stock options, and are targeted at median market levels for comparable companies.

Employee benefits are offered to all eligible employees, including our executive officers, and are targeted at median market levels for comparable companies.

Consequently, our executive officers have the opportunity to earn above median compensation for outstanding performance both from above median bonuses and from above median appreciation of equity grants resulting from above median performance of our company.

The Compensation Committee believes that providing base salaries, equity compensation and employee benefit programs targeted at median market levels is essential for attracting new talent to our company. We believe that providing our named executive officers with the ability to earn above market median level for cash bonuses based on above median performance encourages the retention of high performers who strive to consistently beat their established performance targets. Target bonus payouts are set as a percentage of base salary. Actual business performance, measured solely by financial results, not individual performance, determines whether bonus payments are above or below the target level. The Compensation Committee also considers base salary in granting equity awards because the Compensation Committee's desire is to provide meaningful equity awards (as compared to base salary) for the named executive officers and a few key members of senior management.

At our 2011 annual meeting of stockholders, our stockholders were asked to approve, on a non-binding advisory basis, the compensation of our named executive officers as disclosed in the proxy statement for the 2011 annual meeting. Of those stockholders who voted, in excess of 79% voted to approve the compensation of our named executive officers. As of the date of our 2011 annual meeting of stockholders, our executive compensation program for 2011 had already

been established by the Compensation Committee. However, following the 2011 annual meeting of stockholders, the Compensation Committee reviewed our executive compensation program and concluded that our overall executive compensation program for 2011 continued to be appropriate for our company and effective in rewarding executives commensurate with our financial performance. The Compensation Committee did not make any adjustments to the compensation of our executive officers, including our named executive officers, based on the results of the advisory vote at our 2011 annual meeting of stockholders.



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## **Target Compensation Levels and Benchmarking**

### **Overview**

The Compensation Committee, with the assistance of the independent compensation consultants it retains, reviews the market positioning of total compensation for each of our executive officers. It has been the practice of the Compensation Committee to review the market positioning of total compensation for each of our executive officers on a biennial basis. In 2010, the Compensation Committee undertook such a study with Pay Governance, its independent compensation consultant. In 2011, at the direction of the Compensation Committee, Pay Governance updated the 2010 study for our continuing executive officers.

### **Compensation and Benchmarking Studies**

In 2010, at the direction of the Compensation Committee, Pay Governance compared the base salary, annual incentives and long-term incentives of our executive officers to executives in similar positions at relevant comparator companies. Pay Governance used two groups of comparator companies for the positions of chief executive of