

ENCORE CAPITAL GROUP INC
Form DEF 14A
April 26, 2013
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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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

<input type="checkbox"/> Preliminary proxy statement	<input type="checkbox"/> Confidential, for Use of the Commission
<input checked="" type="checkbox"/> Definitive proxy statement	<input type="checkbox"/> Only (as permitted by Rule 14a-6(e)(2))
<input type="checkbox"/> Definitive Additional Materials	
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ENCORE CAPITAL GROUP, INC.

(Name of Registrant as Specified In Its Charter)

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

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3) Filing Party:

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ENCORE CAPITAL GROUP, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON JUNE 5, 2013

To Our Stockholders:

We cordially invite you to attend the 2013 annual meeting of stockholders of Encore Capital Group, Inc. Our annual meeting will be held at NASDAQ MarketSite, 4 Times Square, New York, New York 10036, on June 5, 2013, at 10:00 a.m. Eastern time. The annual meeting is being held for the following purposes:

1. To elect eight directors, each for a term of one year;
2. To approve the Encore Capital Group, Inc. 2013 Incentive Compensation Plan for employees, non-employee directors and independent contractors (the 2013 Plan);
3. To ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013; and
4. To transact such other business that may properly come before the meeting.

As resolved by our Board of Directors, stockholders of record at the close of business on April 12, 2013 are entitled to notice of and to vote at the annual meeting or any postponement or adjournment thereof.

We have enclosed a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, which includes our audited consolidated financial statements.

This proxy statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2012, are available at <http://materials.proxyvote.com/292554>.

Your vote is important. Whether or not you plan to attend the meeting in person, please submit your vote as soon as possible using one of the voting methods described in the attached materials. Submitting your voting instructions by any of these methods will not affect your right to attend the meeting and vote in person should you so choose.

By Order of the Board of Directors,

J. Brandon Black

Chief Executive Officer

April 26, 2013

San Diego, California

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ENCORE CAPITAL GROUP, INC.

3111 CAMINO DEL RIO NORTH, SUITE 1300

SAN DIEGO, CALIFORNIA 92108

(877) 445-4581

PROXY STATEMENT

This proxy statement relates to the 2013 annual meeting of stockholders of Encore Capital Group, Inc. (*Encore* or the *Company*), to be held at NASDAQ MarketSite, 4 Times Square, New York, New York 10036, on June 5, 2013 at 10:00 a.m. Eastern time, or at such other time and place to which the annual meeting may be adjourned or postponed. The enclosed proxy is solicited by our Board of Directors (our *Board*), and is first being mailed to stockholders entitled to vote at the meeting on or about April 26, 2013.

QUESTIONS ABOUT THE MEETING

What is the purpose of the annual meeting?

At our annual meeting, stockholders will act upon the matters outlined in the accompanying notice of meeting, including (i) the election of eight directors, (ii) the approval of the 2013 Plan and (iii) the ratification of the selection of BDO USA, LLP as our independent registered public accounting firm. Our management will report on *Encore*'s progress and respond to questions from stockholders. In addition, representatives of BDO USA, LLP will be given an opportunity to make a statement and to respond to questions regarding the audit of our consolidated financial statements.

Who is entitled to vote?

Only stockholders of record at the close of business on the record date, April 12, 2013, are entitled to receive notice of the annual meeting and to vote the shares that they held on that date at the meeting, or any postponement or adjournment of the meeting.

At the close of business on the record date, April 12, 2013, there were 23,336,320 outstanding shares of our common stock, each of which is entitled to cast one vote.

Who can attend the meeting?

All stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Others may attend the meeting at our discretion. If you have any questions or wish to obtain directions to attend the annual meeting and to vote in person, please call *Encore*'s Investor Relations representative at (877) 445-4581.

What constitutes a quorum?

The presence at the meeting, in person or represented by proxy, of a majority of the outstanding shares entitled to vote on the record date will constitute a quorum, which will permit us to hold the annual meeting and conduct business. Proxies received but marked as abstentions, withheld votes and broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting. Abstentions include shares present in person but not voting and shares represented by proxy but with respect to which the holder has abstained from voting.

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Broker non-votes occur when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power on that item and has not received instructions from the beneficial owner.

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How do I vote by proxy before the meeting?

Before the meeting, you may vote your shares in one of the following three ways if your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company:

By internet at www.proxyvote.com;

By telephone (from the United States and Canada only) at 1-800-690-6903; or

By mail by completing, signing, dating and returning the enclosed proxy card in the postage paid envelope provided. Please refer to the proxy card for further instructions on voting via the internet and by telephone.

Please follow the directions on your proxy card carefully. If your shares are held in a brokerage account in the name of a bank, broker or other nominee (this is called "street name"), then you are the beneficial owner of the shares and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the annual meeting. You have the right to direct your bank or broker on how to vote the shares in your account, and your ability to vote by telephone or via the internet depends on the voting procedures used by your broker. You may receive a separate voting instruction form with this proxy statement, or you may need to contact your broker, bank or other nominee to determine whether you will be able to vote electronically using the internet or telephone.

May I vote my shares in person at the meeting?

Yes. You may vote your shares at the meeting if you attend in person, even if you previously submitted a proxy card or voted by internet or telephone. Whether or not you plan to attend the meeting, however, we encourage you to vote your shares by proxy before the meeting. Please note that if your shares are held in "street name" and you wish to vote at the meeting, you will not be permitted to do so unless you first obtain a legal proxy issued in your name from the broker, bank or nominee that holds your shares.

What if I submit a proxy and then change my mind?

You may revoke your proxy at any time before it is exercised:

By filing with the Corporate Secretary of Encore a notice of revocation;

By sending in another duly executed proxy bearing a later date; or

By attending the meeting and casting your vote in person.

What are the Board's recommendations for how I should vote my shares?

If you sign and return your proxy card with voting instructions, the persons named as proxies will vote the shares represented by your proxy in accordance with your instructions. If you sign and return a proxy card but do not fill out the voting instructions on the proxy, the persons named on the proxy card will vote in accordance with the recommendations of our Board. The Board recommends that you vote your shares as follows:

Proposal 1 **FOR** the election of the nominated slate of directors for a term of one year.

Proposal 2 **FOR** the approval of the 2013 Plan.

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Proposal 3 **FOR** the ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013.

With respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the Board or, if no recommendation is given, in their own discretion.

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What vote is required to approve each item?

Election of Directors. The eight nominees who receive the most votes will be elected to our Board. A properly executed proxy marked **WITHHOLD AUTHORITY** with respect to the election of one or more directors will not be voted with respect to the director or directors indicated and will have no effect on the proposal to elect the directors other than that it will be counted for purposes of determining whether there is a quorum present at the annual meeting. Abstentions will have the same effect. Notwithstanding the foregoing, the Company has adopted a Majority Voting Policy that is described on pages 11 and 12 of this proxy statement.

Other Items. For each other item, the affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on the item will be required for approval. A properly executed proxy marked **ABSTAIN** with respect to any such matter will not be voted, although it will be counted for purposes of determining whether there is a quorum. Because abstentions represent shares entitled to vote on any matter presented for stockholder approval, the effect of an abstention will be the same as a vote against a proposal.

Effect of Broker Non-Votes. If you hold your shares in street name through a broker or other nominee, your broker or nominee may not be permitted to exercise voting discretion with respect to some of the matters to be acted upon. Thus, if you do not give your broker or nominee specific instructions, your shares may not be voted on those matters and will not be counted in determining the number of shares necessary for approval. Shares represented by such broker non-votes will, however, be counted in determining whether there is a quorum.

Can I exercise rights of appraisal or other dissenters' rights?

No. Under Delaware law, holders of our voting stock are not entitled to demand appraisal of their shares or exercise similar rights of dissenters as a result of the approval of any of the proposals to be presented at the annual meeting.

Who pays for the cost of this proxy solicitation?

We will bear the cost of solicitation of proxies, including the charges and expenses of brokerage firms and others for forwarding solicitation material to beneficial owners of our outstanding common stock. In addition to the solicitation of proxies by mail, our officers, directors and regular employees may solicit proxies in person, by telephone or by facsimile, none of whom will receive additional compensation for those services.

How many annual reports and proxy statements are delivered to the same address?

If you and one or more of our other stockholders share the same address, it is possible that only one annual report and proxy statement was delivered to your address. This is known as **householding**. Any registered stockholder who wishes to receive separate copies of an annual report or proxy statement at the same address now or in the future may: (i) call Encore at (877) 445-4581 or (ii) mail a request to receive separate copies to: Encore Capital Group, Inc., 3111 Camino Del Rio North, Suite 1300, San Diego, CA 92108, Attention: Corporate Secretary, and we will promptly deliver the annual report and/or proxy statement to you. Stockholders who own our common stock through a broker and who wish to receive separate copies of an annual report and proxy statement should contact their brokers directly. Stockholders currently receiving multiple copies of an annual report and proxy statement at a shared address and who wish to receive only a single copy in the future may direct their request to the same phone number or address listed above.

Table of Contents**ELECTION OF DIRECTORS****(PROPOSAL NO. 1)****General**

Our Board currently consists of nine members, each with a term expiring at the 2013 annual meeting. The Nominating Committee of the Board has recommended, and the Board has nominated, the following incumbent directors for election at the 2013 annual meeting: Kenneth A. Vecchione, George Lund, Willem Mesdag, Francis E. Quinlan, Norman R. Sorensen, J. Christopher Teets, H Ronald Weissman and Warren Wilcox.

In the event that any nominee named below is unable or declines to serve as a director, the Board may change the number of seats on the Board or may designate an alternate nominee to fill the vacancy. If a substitute nominee is named, the proxy holders will vote the proxies held by them for the election of such person, unless contrary instructions are given. We are not aware of any nominee who will be unable or will decline to serve as a director. The term of office for each person elected as a director continues until the next annual meeting of stockholders or until his or her successor has been elected and qualified.

Required Vote

If a quorum is present and voting, the eight nominees receiving the highest number of votes will be elected to the Board.

The Board of Directors recommends a vote FOR election of each of the director nominees.

Director Nominees

Set forth below is certain biographical information about each of our nominees to the Board.

Name	Age	Position(s)
Kenneth A. Vecchione	58	President
George Lund	48	Director, Executive Chairman
Willem Mesdag	59	Director
Francis E. Quinlan	64	Director
Norman R. Sorensen	67	Director
J. Christopher Teets	40	Director
H Ronald Weissman	68	Director
Warren Wilcox	55	Director

KENNETH A. VECCHIONE. Mr. Vecchione has served as our President since April 2013. Prior to joining the Company, Mr. Vecchione served as the President and Chief Operating Officer of Western Alliance Bancorp. from April 2010 to April 2013. Mr. Vecchione served as the Chief Financial Officer of Apollo Global Management, L.P., a private equity firm, from November 2007 to March 2010. He also served as Vice Chairman and Chief Financial Officer of MBNA Corporation and as Chief Financial Officer at AT&T Universal Card, First Data Corp Merchant Group and Citicorp Credit Card Services. Mr. Vecchione has served as a director of Western Alliance Bancorp. since October 2007 and as director and Vice Chairman of its subsidiary, Bank of Nevada, since October 2010. Mr. Vecchione also serves as a director of International Securities Exchange and the chairman of its audit and finance committees, and is a director of the Federal Home Loan Bank of San Francisco. Mr. Vecchione is a graduate of SUNY at Albany. Mr. Vecchione's qualifications to serve on the Board include his extensive experience in the financial services industry and service on other financial-industry boards, and his strong background in executive leadership and strategic planning.

GEORGE LUND. Mr. Lund has served as our Executive Chairman and an officer since July 2009, as the Chairman of our Board since August 2008 and as a director since September 2007. Mr. Lund is the Chairman and

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CEO of Torch Hill Investment Partners, a private equity firm focusing on defense, intelligence and civil and corporate security and is a director of One American Bank. Prior to joining Torch Hill he was the Chairman and Chief Executive Officer of BANKFIRST, a national issuer of consumer credit, serving in that capacity from 1986 to 2004. Mr. Lund holds a business administration degree from Southern Methodist University. Mr. Lund's qualifications to serve on the Board include his extensive experience in executive leadership and strategic planning, strong regulatory and government affairs knowledge and deep connections in the financial services industry.

WILLEM MESDAG. Mr. Mesdag has served as a director since May 2007. He is the Managing Partner of Red Mountain Capital Partners LLC, an investment advisor, and is President of Red Mountain Capital Management, Inc., its Managing Member. Prior to founding Red Mountain, he was an investment banker at Goldman, Sachs & Co. and a securities lawyer at Ballard, Spahr, Andrews & Ingersoll. He joined Goldman, Sachs & Co. in 1981 and was made a General Partner in 1990. Mr. Mesdag holds a bachelor's degree from Northwestern University and a Juris Doctor degree from Cornell Law School. He serves as a director of Davis Petroleum Acquisition Corp., a private company. He also serves as a director of 3i Group plc and Nature's Sunshine Products, Inc., both of which are public companies and have significant international operations. Mr. Mesdag's qualifications to serve on the Board include his career as an investment banker and securities lawyer, which give him extensive experience providing strategic and financial advisory services to complex organizations in the consumer credit and financial services industry.

FRANCIS E. QUINLAN. Brigadier General Francis E. Quinlan, United States Marine Corps Reserve (Ret.) has served as a director since September 2011. General Quinlan has practiced law for nearly thirty years, most recently at Newmeyer & Dillion LLP since May 2011. Before entering the practice of law he was an agent with the Federal Bureau of Investigation. As a reserve officer he performed active duty in command positions at the Squadron, Air Group, Air Wing, Marine Expeditionary Force and Joint Force levels of the United States Marine Corps. He has served for ten years as a board director and chairman of the audit committee of Irvine Company LLC; is founding audit committee chairman and member of the investment committee of the California State Compensation Insurance Fund; and is chairman of the audit committee of Santa Fe Trust, Inc. and its sister company, Independent Trust Company of America, LLC. Prior to joining the Board he served on the audit committee of Convoke Systems, Inc., an entity that provides software services to the debt buying industry. He is Emeritus General Counsel and former audit committee chairman of the Marine Corps University Foundation, Inc. Board of Trustees. Mr. Quinlan holds a Master of Laws in Taxation, has represented major financial institutions in matters ranging from governance and compliance to cyber security and has conducted and directed complex financial, tax, Foreign Corrupt Practices Act, internal fraud and national security investigations in his civilian and military careers. His additional qualifications to serve on the Board include financial forensic accounting training with the Federal Bureau of Investigation, completion of information operations, cyber security and inter-agency professional schools at the national level and corporate network security programs involving multi-national enterprises.

NORMAN R. SORENSEN. Mr. Sorensen has served as a director since December 2011. Mr. Sorensen is Chairman of the International Insurance Society. Previously, he was Chairman of the International Advisory Council of Principal Financial Group. He was Chairman of Principal International, serving from 2011 to 2012, and President and CEO of International Asset Management and Accumulation of the Principal Financial Group, serving from 2001 to 2011. He has served as Executive Vice President of both Principal Financial Group, Inc. and Principal Life Insurance Company since 2007, as well as held a number of other senior management positions since 1998. Mr. Sorensen served as a senior executive of American International Group, Inc. (insurance services) from 1989 to 1997. He is also Chairman of DE Master Blenders and a Senior Advisor to Deloitte, LLP. Mr. Sorensen's qualifications to serve on the Board include his experience as an executive officer of an international financial services and asset management company, with responsibility over international operations and oversight over asset management and financial services functions and multiple divisional chief financial officers. He has also served as an executive officer of several publicly traded companies.

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J. CHRISTOPHER TEETS. Mr. Teets has served as a director since May 2007. Mr. Teets has served as a Partner of Red Mountain Capital Partners LLC, an investment advisor, since February 2005. Mr. Teets also serves as a director of Air Transport Services Group, Inc. and Marlin Business Services Corp., both of which are public companies. Prior to joining Red Mountain Capital Partners LLC, Mr. Teets was an investment banker at Goldman Sachs & Co. Mr. Teets' qualifications to serve on the Board include his broad experience in capital markets, providing strategic and financial advisory services and serving as a public company director.

H RONALD WEISSMAN. Mr. Weissman has served as a director since July 2009. Mr. Weissman has served as Chairman of the board of directors of the Federal Home Loan Bank's Office of Finance since August 2009 and as Chairman of its Audit Committee from September 2009 through September 2012. From May 2002 through June 2009, he served as a Senior Partner with Ernst & Young LLP, where he was a member of the Financial Services Office and also served as the leader for the Office of the Chairman Accounts for the Americas International Financial Reporting Standards (IFRS) Network. Prior to joining Ernst & Young LLP in 2002, Mr. Weissman spent 32 years at Arthur Andersen LLP, where he served as an Andersen Worldwide SC partner from 1981 to 2002. He holds an MBA from the Columbia Graduate School of Business and a bachelor's degree from Union College. Mr. Weissman is a Certified Public Accountant and holds an Advanced Professional Director Certification from the American College of Corporate Directors, a national public company director education and credentialing organization. Mr. Weissman's qualifications to serve on the Board include his deep expertise in the complex accounting principles applicable to financial services companies.

WARREN S. WILCOX. Mr. Wilcox has served as a director since September 2007. He is currently the head of W2 Associates, LLC, which advises venture capital firms on investments related to financial services and information management. Prior to W2, Mr. Wilcox was Head of Advisory Services and Executive Vice President of Visa Inc., having served in that capacity since March 2008. Prior to Visa, Mr. Wilcox served as Vice Chairman, Marketing and Planning at WaMu Card Services, a division of Washington Mutual, Inc. He was previously Vice Chairman of Provident Financial Corporation (which WaMu acquired in 2005). Prior to joining Provident in 2002, Mr. Wilcox served as the Executive Vice President, Planning and Development at Fleet Credit Card Services from 1998 to 2001. Before Fleet, Mr. Wilcox spent 13 years at Household Credit Services, where he held a variety of senior management positions. Mr. Wilcox holds a Bachelor of Science degree from Illinois State University and a Master of Science degree in Management from Purdue University. Mr. Wilcox's qualifications to serve on the Board include his three decades of executive experience in the consumer credit industry. He has served as a consumer marketing expert for a series of large financial institutions and has expertise in financial risk management and modeling.

Board Meetings

The Board met 15 times during 2012 and otherwise acted by unanimous written consent. Each director nominee who served on the Board in 2012 attended at least 75% of the total number of meetings held by the Board. Each director nominee who served on the Board in 2012 attended all committees on which such director served during the period he was a director in 2012, with the exception of Mr. Teets, who attended 4 of the 5 scheduled Audit Committee meetings.

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The Board has standing Audit, Nominating and Compensation Committees. During 2012, the members of these Committees were as follows:

Name	Audit	Nominating	Compensation
Richard A. Mandell	X		
Willem Mesdag		X	
John J. Oros		X	
Francis E. Quinlan	X		
Norman R. Sorensen		X	X
J. Christopher Teets	X		X
H Ronald Weissman	X		
Warren Wilcox	X	X	X

Our Board has adopted written charters for the Audit, Nominating and Compensation Committees, and each of those written charters is available on our website at www.encorecapital.com. Click on Investors, then Corporate Governance and then the respective committee charters. The Compensation and Nominating Committees assess the adequacy of their charters from time to time, and the Audit Committee assesses the adequacy of its charter annually. Please note that the information contained on our website is not incorporated by reference in, or considered to be a part of, this proxy statement.

Audit Committee. We have a standing Audit Committee that is responsible for assisting the Board in oversight of the quality and integrity of the accounting, auditing and financial reporting practices of the Company. The Audit Committee met five times during 2012, including one special meeting. The Audit Committee did not otherwise act by unanimous written consent.

In performing its duties, the Audit Committee:

appoints and reviews the performance of our independent registered public accounting firm;

approves audit and non-audit fees;

reviews and evaluates our financial statements, accounting principles and system of internal controls regarding finance, accounting, legal compliance and ethical behavior;

supports the Board by primarily overseeing those risks that may directly or indirectly impact the Company's financial statements, including the areas of financial reporting, internal controls and compliance with public reporting requirements;

reviews and approves related person transactions; and

considers other appropriate matters regarding our financial affairs.

Compensation Committee. The Compensation Committee is responsible for discharging the responsibilities of the Board with respect to the compensation of our executive officers, administering all of our equity-based plans and periodically reviewing compensation and equity-based plans, with authority to adopt such plans. The Compensation Committee met six times during 2012 and otherwise acted by unanimous written consent.

Among other things, the Compensation Committee has the authority and responsibility under its charter to:

periodically review and approve our policies on executive compensation, benefits and perquisites, including incentive cash compensation plans, or other forms of executive incentives;

annually review and, as required, vote in executive session to set the compensation, benefits and perquisites of the Chief Executive Officer (CEO), who serves as our principal executive officer;

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annually review and, as required, vote in executive session to set the compensation, benefits and perquisites of all executive officers to satisfy the Compensation Committee that there is equity in the compensation practices and general integrity in conforming to approved plans and policies;

set the compensation and benefits for non-employee directors; and

consider, approve and administer our incentive compensation plans and equity-based plans in which directors, the CEO, other executive officers and other employees and key consultants may be participants, including, but not limited to: (a) approving restricted stock grants, including restricted stock awards (RSAs), performance stock awards (PSAs), restricted stock unit awards (RSUs), performance stock unit awards (PSUs), stock option grants and/or other awards, (b) interpreting the plans, (c) determining rules and regulations relating to the plans, (d) modifying or canceling existing grants or awards and (e) imposing limitations, restrictions and conditions upon any grant or award as the Compensation Committee deems necessary or advisable.

The Compensation Committee sets performance goals and objectives for the executive officers, evaluates their performance with respect to those goals, sets the executive officers' compensation based upon the evaluation of their performance and approves all employment and severance related agreements with such executives. In evaluating executive officer compensation, the Compensation Committee may retain the services of compensation consultants and considers recommendations from the CEO and Executive Chairman with respect to goals and compensation of the other executive officers. The Compensation Committee also periodically reviews compensation for non-employee directors. All decisions with respect to executive and director compensation are approved by the Compensation Committee.

When reviewing and setting the compensation, benefits and perquisites of the CEO, neither the CEO nor any employee of the Company other than the Executive Chairman is present. The Executive Chairman is not present at any meeting at which his compensation is set by the Compensation Committee. In addition, when the Compensation Committee reviews and sets the compensation, benefits and perquisites of all other executives, the CEO and the Executive Chairman may be present during deliberations at the Compensation Committee's discretion, but the CEO may not be present for voting on officer compensation, benefits or perquisites. Although the CEO generally makes recommendations to the Compensation Committee with respect to executive compensation decisions, including base salaries, cash incentive bonuses and equity-based awards, the Compensation Committee has in the past determined compensation, benefits or perquisites that were different from those recommended by the CEO.

The Compensation Committee approves all grants of equity-based awards, except those awards for the Company's director level or below employees, which approval authority has been delegated to the CEO by the Compensation Committee. Equity award grants to executives are determined based on a periodic review by the Compensation Committee regarding appropriate incentives, with recommendations typically originating from management, consistent with the criteria established in the long-term incentive program adopted by the Compensation Committee.

Outside Consultants. The Compensation Committee has the specific authority to hire outside advisors and consultants in its discretion at our expense. Beginning in 2011, the Compensation Committee engaged the law firm of Vedder Price, P.C. (Vedder Price) to provide comprehensive legal and executive compensation consulting advice. A more detailed description of Vedder Price's activities for the Compensation Committee is provided in the Compensation Discussion and Analysis section of this proxy statement.

Nominating Committee. The function of the Nominating Committee is to consider and recommend qualified candidates for election as directors of the Company. The Nominating Committee met twice in 2012 and otherwise acted by unanimous written consent.

Prior to each annual meeting of stockholders, the Nominating Committee identifies nominees to serve on the Board by first evaluating the current members of the Board willing to continue in service. Current members of

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the Board with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the Board with that of obtaining a new perspective. If any member of the Board does not wish to continue in service or if the Nominating Committee or the Board decides not to nominate a member for re-election, the Nominating Committee identifies the desired skills and experience of a new nominee in light of the criteria described below. Current members of the Nominating Committee and Board and management are polled for suggestions as to individuals meeting the applicable criteria. Research may also be performed to identify qualified individuals.

We do not have a formal diversity policy, but the Nominating Committee does consider a broad range of factors in evaluating prospective director nominees, including the following:

the appropriate size of the Board;

a candidate's knowledge, skills and experience, including experience in business, finance, strategic vision, accounting or administration, in light of prevailing business conditions, the needs of the Company and the knowledge, skills and experience already possessed by other members of the Board;

whether a candidate is independent, as defined by NASDAQ Listing Rules and other applicable standards, and whether circumstances exist that may create the appearance of a conflict of interest;

a candidate's familiarity with accounting rules and practices applicable to our business;

a candidate's character, integrity and reputation for working constructively with others;

whether a candidate has sufficient time available to devote to the duties of a director of the Company;

the desire to assemble a Board that is strong in its collective knowledge and has a diversity of skills, viewpoints and experience with respect to accounting and finance, management and leadership, vision and strategy, business operations, business judgment, industry knowledge and corporate governance;

the importance of maintaining productive working relationships among the Board members and between the Board and management for the benefit of all stockholders; and

recognition of both the considerable benefit of continuity and the fresh perspective provided by the periodic introduction of new members.

The Nominating Committee assesses the effectiveness of its efforts when it evaluates the Board's composition as a part of the annual nomination process.

The Nominating Committee will consider stockholder nominations for directors submitted in accordance with the procedure set forth in Section 3.14 of our Bylaws. We consider each candidate equally based on the factors listed above, regardless of whether the candidate is recommended by a stockholder for election to our Board or is recommended by a member of the Board or a third party search firm. The procedures for stockholder nominated director candidates provide that a notice relating to the nomination in connection with an annual meeting must be timely given in writing to: Encore Capital Group, Inc., Attention: Corporate Secretary, 3111 Camino Del Rio North, Suite 1300, San Diego, CA 92108. To be timely, the notice must be delivered within the time period described in the Stockholder Proposals and Nominations section of this proxy statement. Such notice must be accompanied by the nominee's written consent to serve if elected, must contain information

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relating to the business experience and background of the nominee and provide information with respect to the nominating stockholder and persons acting in concert with the nominating stockholder and otherwise comply with the requirements outlined in our Bylaws.

Corporate Governance

Director Independence. The Board has determined that Messrs. Mesdag, Quinlan, Sorensen, Teets, Weissman and Wilcox, who constitute a majority of the Board, are independent directors within the meaning of NASDAQ listing standards. During its independence review, the Board considered transactions and

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relationships between each director or any member of his immediate family and the Company and its subsidiaries and affiliates. The Board also examined transactions and relationships between directors or their affiliates and members of the Company's senior management or their affiliates. With respect to Mr. Mesdag and Mr. Teets, the Board considered the fact that Mr. Mesdag and Mr. Teets are employees of Red Mountain Capital Partners LLC, an approximately 4% stockholder of the Company. The Board concluded that a relationship with a stockholder of the Company in and of itself does not impair a director's independent judgment in connection with his duties and responsibilities as a director of the Company or a member of a committee of the Board. The Board has determined that each member of the Board's Audit, Compensation and Nominating Committees is independent (or similarly designated) based on the Board's application of the standards of NASDAQ, the Securities and Exchange Commission (the "SEC") or the Internal Revenue Service (the "IRS"), as appropriate for such committee membership.

Audit Committee Financial Expert. The Board has determined that at least one member of the Audit Committee, Mr. Weissman, is an audit committee financial expert, as defined in SEC regulations, and also possesses the financial sophistication and requisite experience as required under NASDAQ listing standards.

Board Leadership Structure. The Board evaluates its leadership structure on an ongoing basis according to what the Board considers to be best for the Company at any given point in time. Currently, we separate the roles of Executive Chairman and CEO, both of whom serve on the Board and are subject to oversight and review by the independent directors. The Board believes that having a separate Executive Chairman and CEO provides an effective leadership model for the Company at this time and provides the benefit of the distinct abilities and experience of both the Executive Chairman and CEO.

Our Executive Chairman, George Lund, works closely with our management team, including our CEO, to develop our corporate strategy and execute on key corporate initiatives. The CEO is responsible for setting the strategic direction for the Company and the day to day leadership and performance of the Company. Having the CEO serve on our Board ensures that the Board contains the individual most familiar with the Company's business and industry and promotes open communication between management and our directors. The Executive Chairman and CEO provide advice and recommendations to the full Board for the Board's consideration.

The Board has considered the benefits of having the Executive Chairman function as a bridge between management and the Board, ensuring that both groups act with a common purpose. The Board has also considered Mr. Lund's knowledge regarding our operations and the industry and markets in which we compete and his ability to promote communication, to synchronize activities between the Board and our senior management and to provide consistent leadership to both the Board and the Company in coordinating the strategic objectives of both groups. The Board also believes that many elements of the Board's governance structure ensure a strong, independent Board even though the Board does not have an independent chairman. The Board has determined that each of the other directors is independent, and these directors regularly meet in executive sessions. Thus, we believe that the existing Board leadership structure encourages communication between management, the Executive Chairman and the independent directors and provides an appropriate allocation of roles and responsibilities at this time. The Board's role in the risk oversight process has no effect on its leadership structure.

Code of Ethics. The Board has adopted a code of ethics entitled the "Standards of Business Conduct" applicable to our directors and all employees and officers of the Company, including our principal executive officer and our principal financial officer. A copy of the Standards of Business Conduct is available on our website at www.encorecapital.com. Click on Investors, then Corporate Governance and then Standards of Business Conduct. We may post amendments to or waivers of the provisions of the Standards of Business Conduct, if any, made with respect to any of our directors and executive officers on that website, unless otherwise required by NASDAQ listing standards to disclose any waiver in a Current Report on Form 8-K. Please note that the information contained on our website is not incorporated by reference in, or considered to be a part of, this proxy statement.

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Risk Oversight. Our Board is actively involved in oversight and review of the Company's risk management efforts, either directly or through its standing committees. Assessing and managing risk and communicating risks to the Board is the responsibility of the Company's Chief Risk Officer. In 2010, the Company's management implemented an Enterprise Risk Management (ERM) program, led by certain officers of the Company, including Paul Grinberg, our Chief Financial Officer (CFO), with oversight from the Board. The ERM program was established to identify and evaluate key business risks within the financial, operational, regulatory and strategic arenas of the Company and to develop risk monitoring processes and response strategies to transfer, avoid, reduce or accept individual risks as appropriate. Additionally, the ERM program assists management in determining appropriate risk tolerance levels that balance risk mitigation with opportunities to create stockholder value. In 2011, the Company hired a Chief Risk Officer. The Chief Risk Officer administers the ERM program and provides regular reports to the Board and the Audit Committee regarding the ERM program's risk identification, management and mitigation strategy recommendations.