



# Compensation Committee Charter

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## 1 PURPOSE

The Compensation Committee (the Committee) primary purpose is to assist the Board of Directors of Encore Capital Group, Inc. (the Company) in fulfilling its oversight responsibilities as follows:

(1) discharge the Board's responsibilities relating to compensation of the Company's non-employee directors, executive officers, and certain other members of senior management;

(2) oversee the administration of the Company's equity plans, incentive programs, and other compensation plans and programs in which executive officers and other members of senior management participate; and

(3) produce an annual report for inclusion in the Company's proxy statement or annual report on Form 10-K that affirms that the Committee has reviewed and discussed with management the Compensation Discussion and Analysis section included therein.

The Committee's goals are to ensure that the Company's compensation programs are designed to provide a competitive level of compensation to attract and retain talented directors and executives, reward and encourage maximum corporate and individual performance, promote accountability, and assure that employee and director interests are aligned with the interests of the Company's shareholders.

## 2 SCOPE

This charter covers all of Encore Capital Group, Inc. and its subsidiaries (Encore) with operations resulting in significant contact with consumers in the U.S.

## 3 POLICY

### 3.1 Membership

The Committee shall consist of two (2) or more directors, with the exact number being determined by the Board. Each member of the Committee shall be an "independent director" as defined under the rules of NASDAQ, as they may be amended from time to time, except as may otherwise be permitted by such rules. It is also the intention of the Board that each member qualify as: (i) a "non-employee director," as defined in Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended (the Exchange Act), and (ii) an "outside director" under the regulations promulgated under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). All members of the Committee shall be appointed by the Board and shall serve at the discretion of the Board. Committee members shall serve during their respective term as a director, subject to death, resignation, or earlier removal by the Board.

### 3.2 Meetings

One (1) of the members of the Committee shall be appointed by the Board to serve as Chair. The Chair shall preside at each meeting of the Committee and set the agendas for Committee meetings. The agenda for each meeting shall, whenever reasonably practicable, be circulated to each member prior to the meeting date. The Committee shall have the authority to establish its own rules and procedures for notice and conduct of its meetings so long as they are not inconsistent with any provisions of the Company's Bylaws that are applicable to the Committee.

The Committee shall meet on a regularly scheduled basis not less than twice per year, or more frequently as circumstances dictate. The Committee may meet in person, by telephone, or video conference, and may take action by unanimous written consent. The Committee shall meet at such times as shall be determined by the Chair or upon the request of a member of the Committee. The Secretary of the Committee shall maintain written minutes of its meetings, and shall file such minutes with the books and records of the Company. The Chair shall report to the Board regarding the meeting of the Committee and as otherwise requested by the Board.

A majority of the members of the Committee shall constitute a quorum. A majority of the members present at any meeting at which a quorum is present may act on behalf of the Committee.

All non-employee directors who are not members of the Committee may attend and observe meetings of the Committee, but shall not participate in any discussion or deliberation unless invited to do so by the Committee, and in any event shall not be entitled to vote. The Committee may, at its discretion, include in its meetings members of the Company's management; representatives of the independent auditor, the internal auditor, and any other financial personnel employed or retained by the Company or any other persons whose presence the Committee believes to be necessary or appropriate. Notwithstanding the foregoing, the Committee may also exclude from its meetings any persons it deems appropriate including but not limited to, any non-employee director who is not a member of the Committee.

The Committee shall have sole authority to appoint or obtain advice from any compensation consultant, legal counsel, or other external advisors, but only after assessing their independence and any actual or potential conflicts of interest of such advisors in accordance with the rules of the Securities and Exchange Commission and the listing requirements of NASDAQ and to evaluate the performance of any such advisors so appointed, to commission any special studies or analyses as it deems necessary or advisable, and to assist it in evaluating the compensation of the chief executive officer (CEO) and other Executives, as defined below. The Committee shall have sole authority to approve the fees and other retention terms of any such advisors and the Company shall provide for appropriate funding for payment of any such fees accrued and approved by the Committee.

The Committee shall regularly report to the Board on the Committee's activities and any and all compensation matters which should appropriately be brought to the Board's attention.

## 4 ROLES & RESPONSIBILITIES

Specific responsibilities and duties for the Committee include:

1. General Authority. The Committee shall review the compensation philosophy of the Company. The Committee shall have the sole authority to determine and approve the form and amount of all compensation to be paid or awarded to: (i) the CEO, (ii) the Company's other executive officers, (iii) all officers subject to reporting under Section 16 of the Exchange Act, (iv) any employee who is recommended by management to receive an annual base salary of U.S. \$500,000 or more, and (v) any other officer of the Company or any of its subsidiaries who, due to the nature of his or her role or responsibilities, the Committee deems appropriate to include within its purview<sup>1</sup> (collectively, the Executives). The Committee will refer its determination and approval of the CEO's compensation to the independent directors for ratification.
2. Set Performance Goals and Evaluate Executives. The Committee shall annually review and approve the corporate goals uniformly relevant to all Executives' compensation. The Committee shall also review and approve individual goals for the CEO. The Committee shall establish procedures to review the performance of the CEO and perform such review on an annual basis. The Committee shall also review the goals established by the CEO for other *senior* Executives, which will be used by the committee in evaluating performance and making compensation determinations for those senior Executives.
3. Establish and Review Executive Compensation. Based on its evaluations, the Committee shall review and approve the following: (i) annual base salary paid to each Executive, (ii) the grant of all cash based bonuses or incentive payments and all equity-based compensation to each Executive, (iii) the entering into or amendment or extension of any employment contract or similar arrangement with any Executive, (iv) any Executive severance or change in control arrangement, (v) any supplemental or retirement benefits payable to each Executive, and (vi) any other Executive compensation matters as from time to time directed by the Board. In determining each Executive's compensation, the Committee shall consider, among other things, the Company's performance and relative shareholder return, the compensation of executive officers at companies that the Committee determines comparable based on factors it selects and the compensation paid to the Company's Executive in prior years.
4. Role of the CEO. The Committee shall consider the recommendations of the CEO in determining the compensation of the Executives other than the CEO. The CEO may not be present during the voting for or deliberations about the CEO's compensation but may be present for the voting or deliberations regarding the compensation of the other Executives.
5. Incentive Compensation Plans. The Committee shall approve, or make recommendations to the Board with respect to, the Company's equity-based plans and any cash incentive plans in which directors or Executives are eligible to participate, discharge any responsibilities imposed on the Committee by any of these plans,

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<sup>1</sup> Besides the CEO and other executive officers, there is flexibility in determining which Executives are subject to the Committee's direct purview and varies from company to company.

oversee the activities of the individuals and committees responsible for administering these plans, and approve or recommend to the Board any material amendments to the plans for which shareholder approval is required.

6. Policies and Perquisites. The Committee shall establish and periodically review policies and programs concerning perquisite benefits, and non-cash or other benefits for the Executives.
7. Director Compensation. The Committee shall periodically review and make recommendations to the Board regarding the fees, equity awards, and benefits payable to non-employee directors of the Company for their service on the Board and on Committees of the Board.
8. Reports and Disclosure. The Committee shall review, and recommend to the Board inclusion of, the Executive compensation disclosures made in the Company's annual proxy statement or annual report on Form 10-K, including the Compensation Discussion & Analysis contained therein, and prepare the Compensation Committee report to be included in the annual proxy statement or annual report on Form 10-K.
9. Compensation Risk Assessment. The Committee shall annually review and discuss with management the Company's compensation policies and practices as applied to employees generally to assess whether any risks arising from such policies and practices are reasonably likely to have a material adverse effect on the Company. The Committee shall annually review and discuss with management the relationship between the Company's risk management policies and practices, corporate strategy, and compensation policies and practices.
10. Stock Ownership Guidelines; Trading Policies. The Committee shall establish, or recommend to the Board, stock ownership guidelines for Executives and monitor compliance with such guidelines. The Committee shall establish, or recommend to the Board, policies with respect to "insider" trading, hedging and pledging of Company stock, and periodically review compliance with such policies.
11. Clawback and Recoupment. The Committee shall approve, or recommend to the Board, the creation or revision of any clawback policy allowing the Company to recoup compensation paid to employees.
12. Shareholder Matters. The Committee shall advise the Board on management proposals to shareholders on Executive compensation matters, including advisory votes on Executive compensation and frequency of such votes, and proposals received from shareholders on Executive compensation matters, and the Committee shall oversee management's engagement with shareholders and proxy advisory firms on Executive compensation matters. The Committee shall review the results of such votes and consider any implications in connection with the Committee's ongoing determinations and recommendations regarding the Company's Executive compensation policies and practice.
13. Annual Performance Review. The Committee shall at least annually review its own performance, including its compliance with this charter, and provide the Board with a summary of its review any recommendations. The Committee shall conduct such

evaluation and review in such manner as it deems appropriate. The Committee shall review this charter at least annually and recommend to the Board any changes it determines are appropriate.

14. Other Duties and Authority. The Committee shall perform any other activities required by applicable law, rules or regulations, including the rules of the Securities and Exchange Commission and any exchange or market on which the Company's capital stock is traded, and perform other activities that are consistent with this charter, the Company's certificate of incorporation and Bylaws, and governing laws, as the Committee or the Board deems necessary or appropriate. While acting within the scope of the powers and responsibilities delegated to it, the Committee shall have and may exercise all the powers and authority of the Board. To the fullest extent permitted by law, the Committee shall have the power to determine which matters are within the scope of the powers and responsibilities delegated to it.

## 5 DELEGATION OF DUTIES

In fulfilling its responsibilities, the Committee shall be entitled to delegate any or all of its responsibilities to subcommittees or any committee member, except that it shall not delegate its responsibilities for any matters that involve Executive or director compensation or any matters where it has determined such compensation is intended to comply with Section 162(m) of the Code by virtue of being approved by a committee of "outside directors" or is intended to be exempt from Section 16(b) under the Exchange Act pursuant to Rule 16b-3 by virtue of being approved by a committee of "non-employee directors."

The Committee shall be entitled to delegate its responsibilities with respect to the administration of the incentive compensation, equity compensation, deferred compensation, and employee pension and welfare benefit plans to the Company's officers and employees, as consistent with applicable law, who may also utilize the services of third-party administrators, record keepers, consultants, and other service providers.

## 6 MISCELLANEOUS

Nothing contained in this charter is intended to expand applicable standards of liability under statutory or regulatory requirements for the directors of the Company or members of the Committee. The purposes and responsibilities outlined in this charter are meant to serve as guidelines rather than as inflexible rules and the Committee may adopt such additional procedures and standards as it deems necessary or advisable from time to time to fulfill its responsibilities or comply with applicable laws, rules, or regulations. In addition, the Committee may amend any procedures or standards set forth in this charter as it deems necessary from time to time to comply with applicable laws, rules, or regulations. This charter, and any amendments thereto, shall be displayed on the Company's Web site, and a printed copy of such shall be made available to any shareholder of the Company who requests it.