

CSG SYSTEMS INTERNATIONAL INC
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April 03, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party Other Than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material under §240.14a-12
CSG SYSTEMS INTERNATIONAL, 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:

(4) Date Filed:

Notice of 2018 Annual Meeting of Stockholders and Proxy Statement

Meeting Date: May 17, 2018

CSG Systems International, Inc.

6175 S. Willow Drive, Greenwood Village, Colorado 80111

NOTICE OF 2018 ANNUAL MEETING OF STOCKHOLDERS
OF CSG SYSTEMS INTERNATIONAL, INC.

Date: May 17, 2018

Time: 8:00 a.m. local time

Place: Sofitel Chicago Water Tower Hotel
20 East Chestnut Street
Chicago, Illinois 60611

Agenda:

1. To elect three Class III Directors nominated by our Board of Directors;
2. To approve, on an advisory basis, the compensation of our named executive officers;
3. To approve the amendment and restatement of the CSG Systems International, Inc. Amended and Restated 2005 Stock Incentive Plan;
4. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2018; and
5. To transact any other business that properly comes before the meeting or any adjournment or postponement of the meeting.

Record Date: The Board of Directors fixed the close of business on March 21, 2018, as the record date for determining the stockholders who are entitled to notice of, and to vote at, the meeting and any adjournment or postponement thereof.

All stockholders are cordially invited to attend the meeting.

By Order of the Board of Directors of CSG Systems International, Inc.

Gregory L. Cannon

Secretary

April 3, 2018

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR
THE STOCKHOLDER MEETING TO BE HELD ON MAY 17, 2018: The proxy statement and
our Annual Report on Form 10-K are available at www.proxyvote.com.

The Securities and Exchange Commission (“SEC”) has adopted a “Notice and Access” rule that allows companies to deliver a Notice of Internet Availability of Proxy Materials (“Notice of Internet Availability”) to stockholders in lieu of a paper copy of the proxy statement, related materials, and our annual report to stockholders.

The Notice of Internet Availability provides instructions as to how stockholders can access the proxy materials online, contains a listing of matters to be considered at the meeting, and sets forth instructions as to how shares can be voted. Shares must be voted either by telephone, online, or by completing and returning a proxy card. Shares held in “street name” may be voted by providing voting instructions to the institution that holds your shares. Shares cannot be voted by marking, writing on and/or returning the Notice of Internet Availability. Any Notices of Internet Availability that are returned will not be counted as votes. Instructions for requesting a paper copy of the proxy materials are set forth on the Notice of Internet Availability.

All stockholders are welcome to attend the annual meeting. If you attend the meeting and are a stockholder of record, you may vote in person. If you wish to attend and vote at the meeting and your shares are held in “street name,” you will need to obtain a proxy from the institution that holds your shares and should advise such institution not to vote your shares. A proxy which you give will not be used if you attend the meeting in person and so request.

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Proxy Summary

2018 ANNUAL MEETING

This summary highlights information contained in this Proxy Statement. It is intended to assist you in your review of the proposals to be acted upon, and to provide key information about CSG Systems International, Inc. For more complete information on any specific topic, please refer to the Table of Contents on the previous page.

Meeting: 2018 Annual Meeting of Stockholders
 Date: May 17, 2018
 Time: 8:00 a.m. local time
 Place: Sofitel Chicago Water Tower Hotel
 20 East Chestnut Street, Chicago, Illinois 60611
 Record Date: March 21, 2018

These proxy materials are being made available to stockholders starting on or about April 3, 2018.

Proposals To Be Voted Upon

Proposal	Board Recommendation	Page #
1. To elect three Class III Directors nominated by our Board of Directors	For Each Nominee	11
2. To approve, on an advisory basis, the compensation of our named executive officers	For	44
3. To approve the amendment and restatement of the CSG Systems International, Inc.	For	45

Amended and Restated 2005 Stock Incentive Plan

4. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2018 For 52

DIRECTOR NOMINEES

Name	Age	Director Since	Occupation	Independent	Committee Membership
Bret C. Griess	49	2016	President and Chief Executive Officer	No	None
Frank V. Sica	67	1994	Partner of Tailwind Capital, director of JetBlue Airways, Kohl's Corporation and Safe Bulkers, Inc.	Yes	Compensation
James A. Unruh	77	2005	Founding Principal of Alerion Capital Group, LLC	Yes	Compensation

Nominating and Corporate Governance

2017 Business Highlights

Key highlights of our 2017 performance include the following:

• Improved our annual revenue growth to 4%, thus increasing our 2017 total revenues to \$789.6 million, driven largely by the 7% growth in our cloud and related solutions revenues;

• Extended our market-leading position supporting the broadband and video market with the successful conversions of over four million customer accounts, additional new logos, and increased adoption of our solutions;

• Expanded and strengthened our relationship with two of our largest clients through the end of 2021;

• Nearly doubled our recurring managed services offering around the globe by delivering sustainable business value by improving operational efficiencies, lowering costs, and enhancing the customer experience;

• Expanded our footprint in the communications and entertainment arena as a trusted digital transformation partner, as well as into new verticals, such as the Internet of Things (“IoT”) and Smart Cities, with our Ascendon SaaS, cloud-based platform; and

• Generated profitable operating results and strong cash flows, and ended 2017 with a solid balance sheet, all of which support our continued investments in the business. Our strong results plus a balanced capital allocation policy all work together to drive long-term shareholder value.

Governance PRACTICES

Our corporate governance practices are reviewed regularly. We believe they reflect best practices, as highlighted below:

• Majority voting for uncontested director elections with plurality voting for contested director elections;

• Independent Board Chair;

• All other directors independent (other than our Chief Executive Officer);

• Regular executive sessions of independent directors;

• Independent Audit, Compensation, and Nominating and Corporate Governance Committees;

• Independent compensation consultant;

• Structured annual board member evaluation process conducted by an independent third-party governance expert;

• Board engagement in long-term succession planning and talent management discussions;

• Meaningful director and executive stock ownership guidelines;

• Anti-hedging, anti-short sale, and anti-pledging policies;

• Annual independent director evaluation of the Chief Executive Officer;

• Code of Ethics and Business Conduct for directors, officers, and employees;

• Regular stockholder engagement to understand stockholders’ views and insights;

• Annual advisory approval of executive compensation;

•

Limitations on consideration given to our named executive officers (to include no excise tax gross-ups) upon the occurrence of a change of control;
• Limited perquisites; and
• No evergreen provisions for equity plans.

Compensation Highlights

Our compensation program is designed to attract and retain highly qualified executives and create incentive compensation opportunities aligned with our strategic goals and evolving competitive and governance practices.

Highlights for 2017 include:

- 95% of the votes cast on our 2017 say-on-pay proposal were in favor of our executive compensation program and policies;
- At least 55% of total target compensation for each executive was based on the achievement of key financial measures; and
- We executed on many of our key strategic initiatives during 2017 and met or exceeded several of our key financial and stock price targets. As a result, our named executive officers earned their annual performance bonus payouts, and in some cases, an additional discretionary bonus, and the majority of their potential performance-based stock vesting under our executive compensation program.

QUESTIONS AND ANSWERS ABOUT THE 2018 ANNUAL MEETING AND VOTING

Why am I receiving these materials?

CSG Systems International, Inc. (“we,” “us,” “our,” or the “Company”) will hold our 2018 Annual Meeting of Stockholders on May 17, 2018 (the “Annual Meeting”). These proxy materials explain the items of business that will be brought to a vote at the Annual Meeting.

As a stockholder, you are invited to attend and vote at our Annual Meeting, or at any adjournment or postponement thereof. To ensure your vote is counted, our Board of Directors (the “Board”) is soliciting your proxy to vote on your behalf.

What information is contained in this proxy statement?

This proxy statement explains the proposals to be voted on at the Annual Meeting, describes the voting process, and provides information about corporate governance,

our Board, and the compensation of our directors and certain executive officers.

How do I get electronic access to the proxy materials?

You may view our proxy materials at www.proxyvote.com.

What items of business will be voted on at the Annual Meeting?

Four proposals are scheduled to be voted on at the Annual Meeting:

Proposal	Board recommendation
Proposal 1—To elect three Class III Directors nominated by our Board	FOR each nominee
Proposal 2—To approve, on an advisory basis, the compensation of our named executive officers	FOR
Proposal 3—To approve the amendment and restatement of the CSG Systems International, Inc. Amended and Restated 2005 Stock Incentive Plan	FOR
Proposal 4—To ratify the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2018	FOR

Each of these proposals is discussed in this proxy statement. We also will transact any other business that properly comes before the Annual Meeting.

What shares can I vote?

You are entitled to one vote for each share of our common stock that you own as of the close of business on March 21, 2018 (the “record date”). You also can vote all shares for which you hold a valid proxy. At the close of

business on the record date, there were 33,672,324 shares of our common stock outstanding and entitled to vote at the Annual Meeting.

May I attend the Annual Meeting?

You may attend the Annual Meeting only if you were a stockholder of the Company as of the record date or you hold a valid proxy for the Annual Meeting. You can vote

your shares even if you do not attend the Annual Meeting, and we encourage you to do so.

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May I vote my shares in person at the Annual Meeting?

If you are a stockholder of record—meaning you hold our common stock in your name with our transfer agent—you may vote those shares in person at the Annual Meeting. If you are a beneficial owner—meaning that a broker, bank, trustee, or other nominee holds your common stock in “street name”—you can vote at the Annual Meeting only if you obtain a legal proxy from the record holder giving you the right to vote the shares.

Even if you plan to attend the Annual Meeting, we recommend that you submit your proxy or voting instructions as described below so that your vote will be counted if you later decide not to attend the Annual Meeting.

May I vote my shares without attending the Annual Meeting?

You may direct how your shares are voted without attending the Annual Meeting. If you are a stockholder of record, you will receive a “Notice of Internet Availability,” which explains how to access the proxy materials online, contains a listing of matters to be considered at the meeting, and describes how shares can be voted by

telephone, online, or by completing and returning a proxy card. If you hold shares beneficially in “street name”, your broker, bank, trustee, or nominee has the right to vote the shares, but should provide you a means to give voting instructions.

May I change or revoke my vote?

You may change or revoke your vote at any time before we take the vote at the Annual Meeting.

If you are a stockholder of record, there are three ways to change or revoke your vote before the conclusion of the Annual Meeting: (1) deliver a new proxy bearing a later date (which automatically revokes your earlier proxy) by mail, telephone, or over the Internet; (2) provide a written notice of revocation to our Secretary at our principal offices listed on the first page of this proxy statement; or (3) attend the Annual Meeting, specifically revoke your proxy, and vote in

person. If you attend the Annual Meeting but do not specifically revoke your previously granted proxy, your proxy will remain in effect.

If you are a beneficial owner, you may change your vote by submitting new voting instructions to your broker, bank, trustee, or nominee. Alternatively, if you have obtained a legal proxy from your broker, bank, trustee, or nominee giving you the right to vote your shares, you can attend the Annual Meeting and vote in person.

How many shares must be present or represented to conduct business at the Annual Meeting?

We can hold the Annual Meeting and transact business if a majority of the issued and outstanding shares of common stock entitled to vote are present in person or represented by proxy at the Annual Meeting. Abstentions are counted for the purpose of determining whether there is a quorum.

“Broker non-votes” are counted for the purpose of determining whether there is a quorum as long as the bank, broker, or nominee uses its “discretionary authority” to vote on Proposal 4 (auditor ratification). Broker non-votes and discretionary authority are described below.

What is the voting requirement to approve each of the proposals?

For Proposal 1, the election of directors, each nominee who receives a majority of the votes cast will be elected as director. A majority of votes cast means that the number of votes cast FOR a director's election exceeds the number of votes cast AGAINST that director's election. Each of Proposals 2, 3 and 4 will be approved if the proposal receives the affirmative FOR vote of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting.

Abstentions and broker non-votes are not considered votes cast on Proposal 1, the election of directors, and will not affect the outcome of the election of directors. With respect to Proposals 2, 3 and 4, abstentions and broker

non-votes will have the same effect as AGAINST votes. With respect to the election of directors, in the event a director does not receive a majority of the votes cast, that director will be required to submit his or her resignation to the Board, with a presumption that the resignation will be accepted unless the Board determines that there is a compelling reason for the director to remain on the Board.

Although the advisory vote to approve the compensation of our named executive officers ("NEOs") for 2017 is non-binding, as provided by law, our Board and the Compensation Committee will review the results of the votes and will consider the results in making future decisions on executive compensation.

How are votes counted?

Votes cast in person or by proxy will be tabulated by the inspector of elections appointed for the Annual Meeting. If you provide specific instructions on your proxy card, your shares will be voted as you instruct. If you do not give instructions, your shares will be voted as recommended by the Board as follows:

- FOR the election of each of the three Class III Directors nominated by our Board and named in this proxy statement;
- FOR the approval, on an advisory basis, of the compensation of our named executive officers;
- FOR the approval of the amendment and restatement of the CSG Systems International, Inc. Amended and Restated 2005 Stock Incentive Plan; and

FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for fiscal 2018.

What happens if additional matters are presented at the Annual Meeting?

We are not aware of any business to be acted upon at the Annual Meeting other than the four proposals described in this proxy statement. If you grant a proxy, the individuals named as proxy holders, Brian A. Shepherd and Gregory L. Cannon, and each or either of them, will have the discretion to vote your shares on any additional

matters properly presented for a vote at the Annual Meeting. If for any reason a nominee is not available as a candidate for director, the proxy holders will vote your proxy for such other candidate or candidates as the Board may nominate.

Who will bear the cost of soliciting votes for the Annual Meeting?

We will pay the entire cost of preparing, assembling, printing, mailing, and distributing these proxy materials, and soliciting votes. If you choose to access the proxy materials or vote over the Internet, you are responsible for Internet access charges you may incur. If you choose to vote by telephone, you are responsible for telephone charges you may incur. Our directors, executives, and regular employees,

without additional remuneration, and their appointed agents, may solicit proxies or votes in person, by telephone, or by electronic communication. We will request banks, brokers, and other fiduciaries to forward proxy materials to the owners of stock held in their names and will reimburse the reasonable out-of-pocket expenses incurred in connection with that distribution.

Where can I find the voting results of the Annual Meeting?

We will announce voting results of the Annual Meeting in a Current Report on Form 8-K filed with the SEC no later than four business days after the Annual Meeting.

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CORPORATE GOVERNANCE AND BOARD OF DIRECTORS

Overview

We are committed to maintaining sound corporate governance practices. The Board has formalized several policies, procedures, and standards of corporate governance, including our Corporate Governance Guidelines, some of which are described below. We continue to monitor best practices and legal and regulatory developments with a view to further revising our governance policies and procedures, as appropriate.

Directors

The Board currently consists of nine directors, including: David G. Barnes, Ronald H. Cooper, Marwan H. Fawaz, Bret C. Griess, Janice I. Obuchowski, Donald B. Reed, Frank V.

Sica, Donald V. Smith, and James A. Unruh. See Proposal 1 - Election of Directors on page 11 for more information regarding our directors.

Director Independence

The Board has determined that every Board member except Mr. Griess, our President and Chief Executive Officer (“CEO”), is an “independent director” as defined in the applicable rules of The NASDAQ Stock Market, Inc. (“NASDAQ”). We believe that having a Board made up

predominantly of independent, experienced directors with independent oversight by a non-executive Chair (as further described below) is in the best interests of our Company and our stockholders.

Corporate Governance Practices and Documents

The Board encourages you to visit our corporate governance page on our website at <http://ir.csgi.com/documents.cfm>, which provides information about our corporate governance practices and includes the following documents:

- Committee charters;
- Code of Ethics and Business Conduct;
- Corporate Governance Guidelines; and
- Share Ownership Guidelines.

Information on our website is not incorporated by reference in this proxy statement.

Majority Voting

We use a majority voting standard in the election of directors. Thus, in any “uncontested election” of directors (i.e., an election where the number of nominees does not exceed the number of directors to be elected), each nominee to the Board will be elected by the vote of a “majority of the votes cast,” meaning that the number of votes cast “for” a director’s election must exceed the number of votes cast “against” that director’s election. The election of directors at the Annual Meeting is an uncontested election. Abstentions and broker non-votes

will not count as votes cast for purposes of this provision. If any incumbent director does not receive a majority of votes cast in favor of his or her re-election to the Board, that director will be required to submit his or her resignation to the full Board, with a presumption that the resignation will be accepted unless the Board determines that there is a compelling reason for the director to remain on the Board. In the case of a contested election, directors will continue to be elected by a plurality vote.

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Communications with the Board

We invite stockholders or any other interested party to send written communications to the Board or to individual Board members. Please send your letter in care of the Secretary of the Company at the address of our principal offices as shown on the first page of this proxy statement. If a letter relates to publicly available information about the Company or our stock, the Secretary will respond to the writer directly. If a letter is primarily commercial in nature or, at the

discretion of the Secretary, relates to an improper or irrelevant topic, the Secretary will make a record of it, but will not transmit the communication to the Board. Any letter that relates to accounting, internal accounting controls, or auditing matters will be forwarded to the Chair of the Audit Committee. All other letters will be forwarded to the entire Board or to the individual Board member(s) to whom they are addressed.

Director Attendance at Board Meetings

During 2017, the Board held five meetings. All directors attended at least 75% of the total number of meetings of the Board and of the committees on which they served during 2017, except for Mr. Hughes who failed to attend 75% of the meetings due to health issues prior to his

passing in June 2017. In addition, during 2017 the Board held four executive sessions during which only independent directors were present.

Annual Meeting Attendance

Historically, very few stockholders have attended our annual meetings; almost all stockholders who vote do so by proxy. Accordingly, directors are not required to attend our annual meetings. We expect employee director(s) to attend if their schedules permit, and non-employee directors are welcome to attend if they wish. All of our

directors attended our 2017 Annual Meeting, except for Mr. Hughes and Mr. Sica. The Board scheduled our 2018 Annual Meeting to coincide with a regular quarterly meeting of the Board so that all members present at the quarterly meeting of the Board can attend the Annual Meeting as well.

Board Committees

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
David G. Barnes	C		
Ronald H. Cooper	M	C	
Marwan H. Fawaz			M
Bret C. Griess			
Janice I. Obuchowski	M		C
Donald B. Reed	M		
Frank V. Sica		M	
Donald V. Smith		M	M
James A. Unruh		M	M

“C” Chair

“M” Member

Chair of the Board

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Audit Committee

The Audit Committee's primary purposes are to oversee our accounting and financial reporting processes, the audits of our financial statements, and our risk and compliance management programs.

As required by the Audit Committee charter (located at <http://ir.csgi.com/documents.cfm>), all members of the Audit Committee satisfy all NASDAQ requirements applicable to audit committee members and are "independent" as defined by the rules promulgated by the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and by NASDAQ. The Board has determined that Mr. Barnes, Mr. Cooper, and Mr. Reed are "audit committee financial experts" as defined by applicable SEC rules. The Audit Committee held four meetings during 2017.

Compensation Committee

The Compensation Committee's primary purposes are to review and recommend senior management compensation and benefit policies, evaluate the performance of our executive officers, and review and recommend the compensation of our executive officers. In addition, the Compensation Committee has independent authority to administer and grant equity awards under our equity plans and annual performance bonuses for executive officers. The Compensation Committee also is responsible for ongoing oversight and evaluation of our compensation policies and practices for employees generally as they relate to risk management. The Compensation Committee may delegate any of its responsibilities to a subcommittee or the Chair of the Compensation Committee. The Compensation Committee may also delegate to one or more of our officers the authority to grant awards to non-executive officers and employees of our Company under our equity compensation plans.

As required by the Compensation Committee charter (located at <http://ir.csgi.com/documents.cfm>), all members of the Compensation Committee are "outside directors" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and are "independent" as defined by the rules promulgated by the SEC under the Exchange Act, and by NASDAQ. The Compensation Committee may delegate its authority in accordance with the Compensation Committee charter. The Compensation Committee held five meetings during 2017.

Determining Executive Officer Compensation and Use of Independent Compensation Consultant. To assist the Compensation Committee with its responsibilities, the Compensation Committee retains an independent compensation consultant, consults with our CEO and our head of Human Resources, and draws upon the extensive business experience of its members. The Compensation Committee directs the independent compensation consultant to prepare a comprehensive formal assessment of the competitiveness of our executive officer compensation program, including a comparison of the principal components of our program (base salaries, performance bonuses, and equity awards) with those of a peer group of other public companies. The Compensation Committee considers this assessment and other data provided by the independent compensation consultant in arriving at its decisions or recommendations to the Board with respect to base salaries, performance bonuses, and long-term incentives for our executive officers. For additional information about our executive compensation program, processes, and procedures, see the Compensation Discussion and Analysis beginning on page 20.

The Compensation Committee periodically evaluates the qualifications of its independent compensation consultant. For 2017, the Compensation Committee continued the engagement of Pearl Meyer & Partners, LLC ("Pearl Meyer") as its independent compensation consultant. During 2017, Pearl Meyer provided only executive compensation guidance to the Compensation Committee and did not provide any other services to the Company. During 2017 the Compensation Committee requested information from Pearl Meyer, our executives, and our Board members in order to assess the independence of Pearl Meyer as the Committee's compensation consultant and to determine whether Pearl Meyer's work raised any conflict of interest. Based on the information provided, the Compensation Committee determined that Pearl Meyer was independent and that the work of Pearl Meyer did not raise a conflict of interest.

Determining Non-Employee Director Equity Awards. In making equity awards to our non-employee directors, the Compensation Committee considers relevant information provided by the independent compensation consultant and the recommendations of our Nominating and Corporate Governance Committee and the Board.

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Risks Related to Compensation Policies and Practices for All Employees. The Compensation Committee does not believe that risks arising from our compensation policies and practices are reasonably likely to have a material adverse effect on the Company. A number of the factors considered by the Compensation Committee when it develops executive compensation recommendations have the effect of mitigating risk. Additionally, executive officers and certain members of senior management regularly review our employee compensation policies and practices, including the elements of our compensation programs, to determine whether any element or program design encourages excessive risk taking. The Board and senior management consider the following factors that reduce the likelihood of excessive risk taking:

- Our “clawback” policy included in our executive employment agreements authorizes us, in certain cases, to reduce or cancel, or require recovery of, all or a portion of an executive officer’s annual bonus or long-term incentive compensation award;
- Our compensation program consists of a balance of multiple elements, including base salary, annual cash incentive programs, and, for some employees, long-term equity incentive awards that are earned over a number of years;
- The structure of our annual cash incentives for executive officers includes multiple performance measures that are objective and quantifiable, with a corresponding minimum and maximum payout range, and our sales compensation plan includes provisions to mitigate risk to the Company;
- A significant portion of our executive officers’ pay is tied to long-term equity awards based on the achievement of pre-determined financial and stock performance measures that we believe align the long-term interests of our executives with those of our stockholders;
- Our executive officers are subject to stock ownership guidelines and must comply with our insider trading policy;
- We have effective management processes, including a formal risk assessment process and strong internal controls; and
- Our Board and Audit Committee maintain regular oversight of our risk management program.

Compensation Committee Interlocks and Insider Participation. No member of the Compensation Committee has ever been an officer or employee of the Company. In 2017, no member of the Compensation Committee had any relationship or transaction with the

Company that would require disclosure as a “related person transaction” under SEC rules. In addition, during 2017, none of our executive officers served on the board of directors or compensation committee of any other entity whose executive officer(s) served as a member of our Board or Compensation Committee.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee’s primary purposes are to: (1) identify individuals qualified to become Board members; (2) recommend to the Board nominees for election as directors and directors for appointment to Board committees; (3) evaluate the Board’s performance, in conjunction with the new formal and structured annual board evaluation process conducted by an independent service provider; (4) review and recommend the compensation of our directors; and (5) develop and recommend for Board approval our Corporate Governance Guidelines and Code of Ethics and Business Conduct.

The Nominating and Corporate Governance Committee charter (located at <http://ir.csgi.com/documents.cfm>) requires that a majority of the members be independent directors. The Nominating and Corporate Governance Committee held four meetings during 2017.

What We Look for in Director Nominees. In recommending nominees for election as directors, the Nominating and Corporate Governance Committee reviews the present composition of the Board to determine the qualities, skills, and areas of expertise needed to enable the Board and its committees to properly discharge their responsibilities. When there is a need, the Nominating and Corporate Governance Committee utilizes the services of executive search firms with well-established board practices to assist in the identification and recruitment of qualified director nominees. This process supports our objective of recruiting highly qualified candidates that meet our specific criteria for skills, professional and governance experience, diversity, and the personal attributes we are seeking, as discussed in more detail below. The Nominating and Corporate Governance Committee considers it necessary for the Board to have at least one independent member who qualifies as an “audit committee financial expert” and takes that requirement into account when recommending nominees. When identifying and assessing a candidate’s qualifications, the Nominating and Corporate Governance Committee considers, among other things: (1) the number and type of other boards on which the candidate serves; (2) the candidate’s other business and professional commitments and potential conflicts of interest; (3) the candidate’s ability and

willingness to devote the required amount of time to service as a Board member and as a member of one or more Board committees; and (4) the candidate's age, background, reputation, independence, experience, skills, and judgment.

Although we do not have a written policy on diversity, our Nominating and Corporate Governance Committee considers the diversity of the Board's membership when nominating directors. We interpret the term "diversity" in its broadest sense and believe it encompasses many attributes, including age, background, experience, skills, substantive expertise, gender, ethnicity, geography, and education. Our Board is particularly interested in maintaining a collective group of individuals with experience in operations, finance, accounting, marketing, human resources, sales, and international business, particularly in the technology and communication service provider and related industries. We also consider whether nominees are active or retired executive officers of public or private companies and whether they have ever served on the board of a public company.

Our Board members also should display the personal attributes necessary to be effective directors: integrity, sound judgment, independence, ability to operate collaboratively, and a fiduciary commitment to the Company and our stockholders. We believe the current members of our Board have a diverse set of business and

personal experiences, backgrounds, and expertise, and that they all share the personal attributes described above.

Stockholder Recommended Director Candidates. The Nominating and Corporate Governance Committee will consider qualified nominees recommended by our stockholders for election as directors in the same manner that the committee considers other director candidates. A stockholder who wishes to recommend a nominee for the Board should submit the recommendation in writing to the Secretary of the Company indicating the proposed nominee's qualifications and other relevant biographical information and providing written confirmation that the proposed nominee consents to serve as a director if nominated and elected. See Stockholder Proposals on page 54 of this proxy statement for additional requirements and information. Our Secretary will forward qualifying recommendations from stockholders to the Chair of the Nominating and Corporate Governance Committee for further review and consideration. Our bylaws provide that stockholder nominations for election to the Board are subject to certain advance notice and informational requirements. Stockholders may obtain a copy of the relevant bylaw provisions from our Secretary at CSG Systems International, Inc., 6175 S. Willow Drive, Greenwood Village, Colorado, 80111.

Annual Board Member Evaluation Process

The Board is committed to a rigorous annual self-evaluation process. The Chair of the Nominating and Corporate Governance Committee coordinates an annual evaluation process, conducted by an independent, third-party consultant. For the first annual evaluation conducted in 2017, the consultant surveyed the full board and select management team members, to evaluate the Board's and the Board committees' performance and procedures to

determine whether they were functioning effectively. The

results of the annual evaluation were discussed and considered by the full Board at the November 2017 Board meeting and the Board was satisfied that no immediate changes were necessary to improve their performance. Regular annual Board evaluations will continue to include a Board survey process, with additional emphasis on the Board's nominees for election at the then upcoming Annual Meeting.

Risk and Compliance Oversight

The Board is responsible for oversight of our risks. To administer our risk and compliance management program, we established a Business Risk Committee comprised of our executive officers, chaired by our Chief Financial Officer ("CFO"), and coordinated by our internal audit department. The internal audit department reports directly to the Audit Committee, and prepares a quarterly report for the Audit Committee summarizing material existing and emerging business risks.

We also maintain a formal risk assessment and risk mitigation program that is administered by our CFO. Executive officers, in conjunction with members of our internal audit department, review this program periodically throughout the year. This program is intended to: (1) identify those risks that are most likely to affect our business; (2) assign an executive to be responsible for monitoring and mitigating those risks; and (3) provide a formal mechanism for the assigned executive to report back periodically on the adequacy and effect of mitigation efforts. The Audit Committee and the Board review the

results of this program at each regularly scheduled meeting. In addition, our Chief Compliance Officer has a reporting relationship to the Audit Committee and provides a quarterly report to the Committee on compliance risks, issues, and activities.

The Board believes our current leadership structure facilitates its oversight of risk by combining independent leadership through the Board and the Audit Committee, along with an experienced Business Risk Committee with intimate knowledge of our business, industry, and challenges.

Board Leadership Structure

The Board does not have a policy regarding separation of the roles of CEO and Chair of the Board. The Board believes it is in the best interests of the Company to make that determination based on current circumstances. The Board has determined that an independent director serving as Chair is in our best interests at this time. Since 2010, Mr. Reed has served as Chair of the Board. Our Board believes this structure ensures a greater role for independent directors in the active oversight of our business, including risk management oversight, and in

setting agendas and establishing Board priorities and procedures. This structure also allows our CEO to focus to a greater extent on the management of our day-to-day operations.

In the future, if the Board believes it would be in the best interests of the Company and our stockholders, the Board may decide that one person should serve as both CEO and Chair of the Board.

Code of Ethics and Business Conduct

Our Board has adopted a Code of Ethics and Business Conduct applicable to all directors, officers, and employees of the Company. Our Code of Ethics and Business Conduct and Corporate Governance Guidelines are available on our website on the Investor Relations page, under Governance Documents, located at <http://ir.csgi.com/documents.cfm>.

Information on our

website is not incorporated by reference in this proxy statement. We will disclose on our website any amendments to our Code of Ethics and Business Conduct, or any waiver of a provision of our Code of Ethics and Business Conduct that is required to be disclosed under applicable rules of the SEC.

Other Board Information

There are no family relationships between any of our directors or executive officers. There are no arrangements between any director, nominee, or executive officer of the Company and any other person pursuant to which such director, nominee, or executive officer was selected for such position. There are also no material legal proceedings

pending to which any of our directors, officers, affiliates of the Company, or shareholders of more than 5% of our stock (or any associates of any of the foregoing) is a party adverse to the Company.

COMPENSATION OF DIRECTORS

After consultation with the Compensation Committee's independent compensation consultant, including an analysis of peer and market practices, the Board has set the director compensation program to be in line with similar companies in our industry. For 2017, our director compensation program consisted of the following:

Role	Committee	Equity Grant Shares (1)	Annual Cash Retainer Amount (2)
Board Member (3)		3,000	\$ 75,000
Chair of the Board			\$ 50,000
Chair of Committee (4)	Audit		