

Corporate governance report

Intrum Justitia AB (publ) is a Swedish public company seated in Stockholm. The company is listed on NASDAQ OMX Stockholm. This corporate governance report has been prepared in accordance with the rules of the Annual Accounts Act and the Swedish Code of Corporate Governance ("the Code") in order to describe how the Company has applied the Code during 2010. Corporate governance at Intrum Justitia comprises structures and processes for management and control of the Company's operations for the purpose of creating value for the Company's owners and other stakeholders. Intrum Justitia applies the Code as of July 1, 2005. Intrum Justitia's corporate governance also complies with the applicable rules in the Swedish Companies Act, NASDAQ OMX Stockholm's rule book for issuers, the decisions of the Swedish Securities Council and the Company's Articles of Association.

The Company has not deviated from the Code's provisions during the period covered by the annual report.

ANNUAL GENERAL MEETING

The Annual General Meeting is Intrum Justitia's highest decision-making body at which the shareholders exercise their right to make decisions regarding the company's affairs. Each share corresponds to one vote. The Annual General Meeting was held on March 25, 2010, and the following decisions were made:

- to adopt the income statements and balance sheets for the Company and the Group,
- to pay a dividend of SEK 3.75 per share in accordance with the proposal of the Board of Directors,
- to discharge the Board of Directors and the President from liability for the fiscal year,
- to elect the Board of Directors and Chairman of the Board,
- to agree on remuneration to the Board of Directors and auditor,
- to adopt guidelines on compensation for senior executives, and

- to authorize the Board of Directors to buy back and sell their own shares on the stock exchange, in order to be able to honor commitments under the 2008 performance-based incentive program.

At the Annual General Meeting, 31.14 percent of the shares were represented. The President, auditor and all members of the Board of Directors who were proposed as new or re-elected members, with the exception of Charlotte Strömberg, were present.

NOMINATION COMMITTEE

The task of the Nomination Committee, among others, is to nominate directors for election at the next Annual General Meeting (AGM). The AGM of 2010 resolved that the Chairman of the Board shall convene the five largest shareholders of the Company based on voting power at the end of August to appoint a member each to the Nomination Committee.

The composition of the Nomination Committee was announced on September 27 2010: Conny Karlsson, Chairman of the Nomination Committee (representing CapMan Public Market Fund), Hans Hedström (Carnegie Fonder), KG Lindvall (Swedbank Robur Funds), Philip Wendt (Länsförsäkringar Funds) and Mats Gustafsson (Lannebo Funds). Moreover, Chairman of the Board Lars Lundquist has served as a co-opted member of the Nomination Committee. One of the company's legal counsels has served as the co-opted secretary of the Nomination Committee.

On December 31, 2010 the Nomination Committee represented a total of approximately 22 percent of the share capital in Intrum Justitia.

Besides nominating the Directors, the Chairman of the Board and the Chairman of the AGM, the duties of the Nomination Committee are, inter alia, to evaluate the Board and its work, propose compensation for the Board and its committees, and, when necessary, propose candidates for auditors' elections and compensation for auditors.

The Chairman of the Board conducted an evaluation of the Board and the work of

individual members during the year. This evaluation has since been reported to the Nomination Committee.

The Nomination Committee's proposal of the 2011 AGM were announced on February 1, 2010 and is presented in the notice to the AGM. Shareholders have been offered the opportunity to submit proposals to the Nomination Committee. No proposals were submitted within the assigned time period. The Nomination Committee met five times in 2010. No compensation has been paid to the Chairman of the Nomination Committee or to any other members of the committee for their work.

COMPOSITION OF THE BOARD

According to Intrum Justitia's Articles of Association, the Board shall consist of at least five and not more than nine members with not more than four deputies. All members are elected by the AGM. At the AGM 2010 seven Directors with no deputies were elected. Lars Lundquist was elected as Chairman of the Board. Further information about the Board of Directors, including share holding, is found on pages 78-79.

The Board is composed to effectively support and control the work of the management. All Directors are independent in relation to the Company and its management as well as in relation to the principal shareholders. The composition of the Board thereby complies with the requirements of the Code in this respect.

The President of the Company is not a member of the Board, but attends all Board meetings except when the evaluation of the Board's work and the President are on the agenda. The Secretary of the Board is the Group's General Counsel.

The Board has appointed an Audit Committee, a Remuneration Committee and an Investment Committee for purchased debt. The committees are mainly subordinated to the Board and do not relieve the Board members of their duties and responsibilities. Other than the abovementioned committees, there is no general delegation of the

ATTENDANCE AT BOARD MEETINGS IN 2010

	Matts Ekman	Helen Fasth-Gillstedt	Lars Förberg	Joakim Rubin	Lars Lundquist	Charlotte Strömberg	Fredrik Trägårdh
2 February	●	●	●	–	●	●	–
15 February	●	●	●	–	–	●	–
25 February	●	●	–	–	●	●	–
25 March	●	●	●	●	●	–	●
21 April	●	●	●	●	●	●	●
26 May	●	●	●	●	●	●	●
18 July	●	●	●	●	●	●	●
17 September	–	●	●	●	●	●	–
23-24 September	●	●	●	●	●	●	●
25 October	●	●	●	●	●	●	●
20 December	●	●	●	●	●	●	–

● Present – Absent

Board's work among its members. The committees are presented in more detail on the following pages.

THE BOARD'S RULES OF PROCEDURE

At the first ordinary meeting after its statutory meeting every year following the AGM the Board reviews and establishes the rules of procedure for its work, including instructions on the delegation of responsibilities and work between the Board, the President and the Board committees, as well as the forms of the Company's financial reporting. The rules of procedure are based on the rules of the Swedish Companies Act on the overall responsibilities of the Board and President and otherwise on the decision-making procedure approved by the Board. In addition the rules of procedure primarily govern other issues such as:

- Number of Board meetings and decision points normally on the agenda at each meeting;
- The duties of the Chairman, the President and CEO, and the Remuneration, Investment and Audit Committees, specifying the delegation of the Board's decision-making authority and which issues always require a decision by the Board;
- Evaluation of the Board and the work of the Board as well as evaluating the CEO.
- The forms of the Boards meetings and minutes.

MEETINGS OF THE BOARD

The Board meets regularly in accordance with the schedule laid down in the rules of procedure. Every Board meeting follows a predetermined agenda. The agenda and background information on each information or decision point are sent to all Directors well in advance of each meeting. Decisions by the Board are taken after an open discussion led by the Chairman. In 2010 the Board held 11 meetings (12 in the previous year). The main discussion topics of the meetings were as follows:

- The Group's results and financial position
- Interim reports
- Auditors' reviews (external and internal audits)
- Risk management issues and internal control of financial reporting, among other things
- Compliance
- Acquisitions and investments in larger portfolios of receivables.
- Review of the company's strategic direction.
- Special action programs for underperforming countries, regions or operations
- Evaluation of the Board's work and evaluation of the President

The company's auditor have participated at meetings during the year.

EVALUATION OF BOARD AND CEO

The Board conducts an annual evaluation of the composition of the Board with the purpose of to address issues regarding, inter alia, competence, priorities, Board material, the

climate at meetings and possible improvements. The Chairman presents the results of the evaluation to the Board and the Nomination Committee. In 2010 the evaluation was done with the assistance of an external consultant. The Board makes continuous evaluations of the CEO and discuss this at least one meeting without his presence.

COMPENSATION FOR DIRECTORS

According to the resolution of the 2010 AGM, the Board receives fees of SEK 2,550,000, of which SEK 750,000 is paid to the Chairman and SEK 300,000 to each of the other Directors, as well as an additional SEK 540,000 to be used as remuneration for committee work over and above ordinary Board work, in total SEK 3,090,000. The remuneration for committee work is divided such that the Chairman of the Audit Committee receives SEK 150,000, the other two members of the Committee receive SEK 75,000 and the remaining SEK 240,000 is divided equally between the six members of the Remuneration Committee and the Investment Committee.

AUDIT COMMITTEE

From the AGM to December 2010 the Audit Committee consisted of Helen Fasth-Gillstedt (Chairman), Fredrik Trägårdh and Joakim Rubin. From December 2010 the Audit Committee consist of Matts Ekman (Chairman), Helen Fasth-Gillstedt and Fredrik

Trägårdh. All members are independent in relation to the Company and the management as well as the principal shareholders. The Company's CFO, the auditor and the Group Chief Accountant are co-opted to the committee's meetings. The latter is also appointed secretary of the Committee.

The duty of the Audit Committee is, among other things, to supervise the Group's financial reporting and to monitor the efficiency in the Group's internal control, internal auditing and risk management with regard to the financial reporting. The committee should also ensure its updated on the auditor's work, ensure the independence of the auditor and, if needed, assist the Nomination Committee in nominating the auditor.

The Audit Committee reports to the Board, which makes the final decisions.

The Audit Committee met ten times in 2010 (five times in 2009). The auditor attended seven of these meetings. All members of the committee have been present at all meetings.

The issues covered by the committee included quarterly reports, risk management and internal control with special attention to the organisation of the internal control, as well as the reporting of outlays and client funds in the Netherlands. Further to this the Committee has considered the year-end accounts, audit work for the Group (external and internal), investment proposals, taxes and refinancing, as well as assisting the Board in its preparations to assure the quality of the Company's financial reporting, particularly with respect to the accounting of purchased debt and goodwill.

INVESTMENT COMMITTEE

From the AGM to December 2010 the Investment Committee consisted of Lars Lundquist (Chairman), Matts Ekman and Joakim Rubin. From December 2010 it consisted of Joakim Rubin (Chairman), Lars Lundquist and Charlotte Strömberg. All directors are independent in relation to the company, its management and in relation to the principal shareholders.

The Investment Committee is mainly working with the Financial Services operations. The committee may, with support from a delegation in the Board's rules of procedure decide on investments in receivables up to EUR 20 M. This ensures that the operation can be run quickly, efficiently and

with adequate competence. Investments exceeding the upper limit must be approved by the Board in its entirety. The Investment Committee met seven times during the year (four times in 2009). Charlotte Strömberg was absent at two meetings, other than that all members were present at all meetings.

RENUMERATION COMMITTEE

From the AGM to December 2010 the Remuneration Committee consisted of Lars Lundquist (Chairman) and Matts Ekman. From December it consisted of Lars Lundquist (Chairman), Matts Ekman and Joakim Rubin. All directors are independent in relation to the company, its management and in relation to the principal shareholders. The duties of the Remuneration Committee, among others, include prepare the decision of the Board in matters of compensation principles and compensation levels and other employment conditions for the senior management team.

The Committee also assists the Board in drafting proposals for guidelines for remuneration for senior management that the Board presents to the AGM, and also to monitor and evaluate the use of these guidelines.

The Company's Human Resources Director (in 2010 the Company's Chief Financial Director) and, when necessary, the President, attend the committee's meetings. In 2010 the committee met two times (nine times the previous year). All members were present at both meetings.

Issues such as the framework of the year's salary revision for senior executives, principles for variable compensation (i.e., targets and outcomes), pensions and other issues mentioned above within the framework of the committee's competence and duties.

PRINCIPLES FOR REMUNERATION FOR KEY EXECUTIVES

The 2010 AGM determined the proposal on the principles of compensation and other employment terms for the senior management. The guidelines regulates the relationship between fixed and variable remuneration and the relationship between performance and remuneration, non-monetary benefits, issues related to pensions, dismissal and severance payments and how the Board deals with these issues.

The principles of 2010 for remuneration

of senior executives is described in Note 31, page 70. The Board's complete proposal for the principles of remuneration and other terms of employment for senior management for 2011 can be found in the Board of Directors' report on page 40.

For further details on salaries and other remuneration for senior management, refer to Note 31 on page 70.

GROUP MANAGEMENT TEAM

The Group Management Team (GMT) consists of the CEO and President of the Parent Company, the Chief Financial Officer, the Directors of the two service lines Financial Services and Credit Management Services and the Regional Managing Directors.

The GMT meets regularly to discuss economic and financial results, strategic issues and Group-wide guidelines. These discussions, decisions and guidelines are also part of the control of financial reporting.

More information about the GMT is to be found on pages 80-81.

AUDITOR

The 2008 AGM elected the accounting firm KPMG AB as auditor of Intrum Justitia AB with Authorized Public Accountant Carl Lindgren as Chief Auditor. The auditor was elected for a term ending at the conclusion of the 2012 AGM. The Auditor is independent. In accordance with the resolution of the Audit Committee, Intrum Justitia has consulted KPMG on tax and reporting issues unrelated to its auditing assignment. The size of the compensation paid to KPMG is indicated in Note 33 on page 72. KPMG is obligated as the auditor of Intrum Justitia to test its independence prior to every decision when providing independent advice to Intrum Justitia unrelated to its auditing assignment.

The code is available at the web page of the Swedish Corporate Governance Board, www.bolagsstyrningskollegiet.se

The Board of Directors' report on internal control

Intrum Justitia's work on internal control follows the COSO model* and is designed to ensure, with a reasonable degree of assurance, the reliability of the financial reporting and its compliance with applicable laws and regulations.

CONTROL ENVIRONMENT

The control environment includes the values and ethics on which the Board and the management base their actions, as well as the Group's organization, leadership, decision-making channels, authorizations and responsibilities, and the skills of employees. Intrum Justitia's values include "work to contribute to a sound economy," which together with the Group's business concept, objectives and strategies guide the company's day-to-day work. The Group also has a Business Code of Ethics and a Code of Conduct. In addition, there are also external and internal means of control.

The Board has overall responsibility for internal control of financial reporting. The Board has established rules of procedure, which clarify the distribution of responsibilities and tasks between the Board, the Board's committees and the President, as well as instructions for the President. The Board and the Audit Committee ensure compliance with established principles for financial reporting and internal control and are in on-

going contact with the Company's auditors.

The objective is to ensure that relevant laws and rules are complied with, that financial reporting adheres to Intrum Justitia's accounting principles under IFRS and that operations are run in an effective, efficient and appropriate manner.

The internal means of control for financial reporting, including reporting instructions and authorization powers, are summarized in a handbook, which is available to all employees on the company's intranet. The handbook clarifies the responsibility of local and regional managers for internal control in subsidiaries. The handbook also contains the company's information and communication policy, insider rules, accounting rules, finance policy, and the treasury policy, which covers the management of financial risks such as interest rate, financing, liquidity and credit risks. The handbook is updated regularly.

During 2010 the Board and Audit Committee focused on strengthening internal control, particularly in subsidiaries. This is to be achieved by, among other things, a local Compliance Officer being appointed for each market with clear responsibility for managing and coordinating local risk management, internal control and compliance work. This local work is to be reported back to the central Internal Control function, which together with other departments at head office will coordinate and compile this

work and report on it to the Group Management Team (GMT), Audit Committee and the Board as necessary.

Internal auditing has as of the start of 2010/2011 been separated from the Internal Control function and now reports directly to the Audit Committee. The Internal Control function will work more specifically with the issues of quality and analysis of financial reporting and coordination, and analysis and reporting of self-assessment by subsidiaries is carried out on an ongoing basis. The Internal Control function will work closely with Group Legal Compliance and the new position of Risk Manager.

The Board and Audit Committee have also decided to strengthen the Group's work on risk by appointing a central Risk Manager with responsibility for group-wide risk management, with primary focus on financial risks.

Group Legal Compliance is led by the Group's general counsel and is responsible for monitoring local compliance with business-critical laws and rules, e.g. authorization and personal information management, as well as group-wide insurance issues. The Internal Control function, Group Legal Compliance and the new position of Risk Manager report to the Group CFO

RISK ASSESSMENT

The Group's risks are managed through coordination between the Board, the GMT

* Committee of Sponsoring Organizations of the Treadway Commission (COSO)

and local business operations. The Board and the management work on an ongoing basis to identify and manage overall risks, while, in accordance with internal regulations, the management for each local operation is responsible for identifying, evaluating and managing those risks that primarily relate to local operations. Each local management team is responsible for ensuring that a well-functioning process is in place to create risk-awareness, early identification of new risks and cost-effective management of known risks.

The Group-wide risk management process regarding financial reporting comprises the identification and evaluation of the most significant risks within the service lines and processes of Group companies. Risk management involves the acceptance, reduction or elimination of risks and involves requirements being set in terms of risk control and the level of control.

Subsidiaries' management teams provide a yearly risk assessment report to the central Internal Control function. These assessments are compiled and reported on to the Audit Committee.

CONTROL ACTIVITIES

Control activities are governed by risk assessment. Controls are designed to manage those risks that have been identified by the work set out above. The control structures are based on the Group's minimum requirements for internal control of financial reporting and consist of both company-wide controls, controls at transaction level and general controls.

Control activities encompass all subsidiaries within the Group and include methods and activities to secure assets, verify accuracy and reliability in internal and external financial reports, and to ensure compliance with laws and established guidelines. The following control activities are undertaken:

Self-assessment

Each subsidiary carries out a self-assessment on an annual basis regarding compliance with Group rules. An extensive survey is used to measure the extent to which the defined requirements have been fulfilled. This self-assessment survey is reported over the Group intranet by the local responsible managing director. As part of this process, the Internal Control function carries out a validation of the responses in the survey for the those areas deemed particularly relevant. In the event of material deviations being identified, proposed measures to address these deviations are drawn up, together with a timetable for their implementation. The assessments are compiled and reported to the GMT and the Audit Committee.

Internal Audit

Internal audits have previously been carried out by the Internal Control function, based on a timetable approved by the Audit Committee. The timetable is based on the annual risk assessment and established at the end of year calendar year. The audit is written up into an audit report, containing observations and recommendations, along with proposed measures from local management to be taken in order to address any deviations.

The Internal Audit function has as of the start of 2010/2011 been transferred to a separate unit that reports directly to the Audit Committee.

Financial reporting

Local financial reporting work is led by local financial managers. They have a key role in creating the environment needed to ensure transparent, relevant and up-to-date financial information. Local financial managers are responsible for ensuring that internal guidelines are followed and that necessary routines exist and work.

In conjunction with quarterly reporting of accounts to head office, local managing directors and local financial managers provide a letter of representation, in which they report on a range of issues and state their understanding of how satisfactory internal control works.

Processes for acquisitions

The Group has specific processes for ensuring that acquisitions of companies or businesses are appropriately approved and carefully analyzed with regard to financial and operational consequences. The Group also undertakes regular evaluations of previously made acquisitions.

Valuation of purchased debt portfolios

The company has established an Investment Panel (which should not be confused with the Board's Investment Committee) consisting of some of the GMT. The panel meets every quarter to analyze and ensure the correct valuation of the Group's portfolios of purchased debt so that they comply with the Group's revaluation principles.

Risks and risk management, comprising risk factors deemed to be of special significance to the Group's future development, are dealt with in the Board of Directors' Report on page 37-38.

INFORMATION AND COMMUNICATION

The company works constantly to create awareness among employees about the appropriate means of control that apply to financial reporting, both external and internal. Responsibilities and authorizations are communicated within the Group in order to facilitate reporting and feedback from the business operations to the Internal Control function, the GMT and the Board's Audit Committee. All internal guidelines are avail-

able on the intranet and ongoing employee training is provided.

The local financial managers are part of a network that meets regularly in order to share knowledge and experiences, inform staff about new regulations and changes in Group accounting principles and discuss the requirements of internal control. This network works continually to improve coordination and benchmarks for analysis models and monitoring of primarily accounting and business systems, development of various key performance indicators and profitability per customer.

MONITORING

The Group is organized in the form of a matrix, with financial monitoring primarily performed by geographic region – of which there are three – and also by service line. The respec-

tive region and country managers within the geographic regions have considerable responsibility. The GMT exercises control through representation on the Boards of local companies and through the Group's finance department monitoring the subsidiaries' financial reporting from various perspectives.

Each subsidiary reports monthly accounts with an income statement divided along service lines, a balance sheet and volume data. The monthly accounts are consolidated at Group level and included in a monthly report to the GMT and the Board. Consolidated accounts are prepared each month for internal monitoring and analysis. The Group provides the subsidiaries with feedback on their reporting. Local management provides a written account of material deviations from the previous year's and budgeted results, along with details of important events in business operations. In

addition to revenue and earnings figures, indicators provided include the volume of new collection cases, the gross collection value and collected amounts.

The internal control follows up annually on the self-assessment provided by subsidiaries and the measures undertaken to ensure a satisfactory degree of internal control at local level. After the subsidiaries have reported their responses, the Internal Control function carries out a detailed follow-up of the responses. In certain cases, local visits are also carried out. The recommendations provided by the internal audit are followed up annually. The status of the work on action plans is reported to the GMT and the Audit Committee.

Stockholm 7 March 2011

The Board of Directors Intrum Justitia AB

The Auditor's statement on the Corporate Governance Report

To the Annual General Meeting of Intrum Justitia AB (publ), corporate identity number 556607-7581.

The Board of Directors are responsible for the Corporate Governance Report and that it has been prepared in accordance to the Annual Account Act.

As a foundation for our statement whether the Corporate Governance Report has been prepared and is consistent to the annual report and the consolidated accounts or not, we have read the Corporate Governance Report and assessed its statutory content based on our knowledge of the company.

We believe that a corporate governance report has been prepared and that its statutory information is in accordance to the annual report and the consolidated accounts.

Stockholm 7 March 2011
KPMG AB
Carl Lindgren
Authorised Accountant