

11. MANDATE OF THE GOVERNANCE, NOMINATING AND COMPENSATION COMMITTEE

11.1 Purpose

The purpose of the Governance, Nominating and Compensation Committee (the “Committee”) of the Board of Directors (the “Board”) of North American Palladium (the “Company”) is to assist the Board in:

- (a) developing the approach to corporate governance, including developing a set of corporate governance principals and guidelines specifically applicable to the Company;¹
- (b) identifying individuals qualified to become members of the Board;
- (c) reviewing the composition of the Board and its committees; and
- (d) monitoring, reviewing and approving compensation policies and practices of the Company and administering the Company’s share compensation plans.

11.2 Committee Responsibilities

The Committee’s responsibilities shall include:

- (a) reviewing and assessing the Company’s corporate governance policies and practices and conducting a periodic review of the Company’s corporate governance practices;
- (b) reviewing and assessing the independence of each of the directors;
- (c) evaluating the functioning of the Board, its committees (including this Committee) and individual directors on an annual basis;
- (d) reviewing and assessing its mandate and recommending any proposed changes to the Board on an annual basis and assisting other committees with a review and assessment of their mandates;
- (e) reviewing and approving the annual disclosure relating to executive compensation and corporate governance practices contained in the Company’s Management Information Circular;
- (f) reviewing and approving any significant amendments to the Company’s Disclosure Policy;
- (g) reviewing making recommendations to the Board as to changes in the size of the Board, nominees to fill vacancies on the Board and annually recommending director nominees for approval by the Board and election by the shareholders;
- (h) reviewing and making recommendations to the Board, as appropriate, in connection with the Company’s succession planning with respect to the Chairman of the Board, the President & Chief Executive Officer and other officers;

¹ Pursuant to section 3.4(g) of National Policy 58-201 – *Corporate Governance Guidelines*.

- (i) making recommendations to the Board as to the composition of the committees of the Board (including this Committee);
- (j) reviewing the Company's orientation and education program with respect to new directors;
- (k) reviewing and making recommendations to the Board with respect to the overall compensation strategy and policies for directors (including the Chairman of the Board) and officers of the Company;
- (l) reviewing and making recommendations to the Board with respect to the corporate goals and objectives relevant to the compensation of the President & Chief Executive Officer, evaluating the performance of the President & Chief Executive Officer in light of those goals and objectives, and recommending to the Board the compensation level of the President & Chief Executive Officer based on this evaluation;
- (m) reviewing and approving the annual compensation of all other senior executive officers of the Company, as recommended by the President & Chief Executive Officer;
- (n) administering the Company's Stock Option Plan and Restricted Share Unit Plan in accordance with the terms of such plans; and
- (o) reporting regularly to the Board.

11.3 Nominations

In making its recommendations for nominees to the Board, the Committee shall consider the current composition of the Board and shall assess the ability of candidates to contribute to effective oversight of the management of the Company, taking into account the needs of the Company and the individual's background, experience, perspective, skills and knowledge that are appropriate and beneficial to the Company.

11.4 Responsibilities of the Committee Chair

The fundamental responsibility of the Committee Chair is to be responsible for the management and effective performance of the Committee and provide leadership to the Committee in fulfilling its mandate and any other matters delegated to it by the Board. To that end, the Committee Chair's responsibilities shall include:

- (a) working with the Chairman of the Board, the President & Chief Executive Officer and the Corporate Secretary to establish the frequency of Committee meetings and the agendas for meetings;
- (b) providing leadership to the Committee and presiding over Committee meetings;
- (c) facilitating the flow of information to and from the Committee and fostering an environment in which Committee members may ask questions and express their viewpoints;
- (d) reporting to the Board with respect to the significant activities of the Committee and any recommendations of the Committee;

- (e) leading the Committee in annually reviewing and assessing the adequacy of its mandate and evaluating its effectiveness in fulfilling its mandate; and
- (f) taking such other steps as are reasonably required to ensure that the Committee carries out its mandate.

11.5 Powers

The Committee shall have sole authority to retain and terminate any search firm to be used to identify director candidates and to approve the search firm's fees and other retention terms. The Committee shall have the authority to obtain advice and assistance from outside legal or other advisors in its sole discretion. The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee.

11.6 Composition

The Committee shall be appointed by the Board annually and shall be comprised of a minimum of three directors, a majority of whom shall be independent directors. If an appointment of the members of the Committee is not made as prescribed, the members shall continue as such until their successors are appointed.

All of the members of the Committee shall be directors whom the Board has determined are independent, taking into account the applicable rules and regulations of securities regulatory authorities and/or stock exchanges.

11.7 Meetings

The time and place of the meetings of the Committee, the calling of meetings and the procedure in all things at such meetings shall be determined by the Chair of the Committee.

The Committee shall hold regular in-camera sessions during which the members of the Committee shall meet in the absence of management.