

## **MANDATE OF THE GOVERNANCE, NOMINATING AND COMPENSATION COMMITTEE**

### ***Purpose***

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

1. Developing the Company’s approach to corporate governance, including developing a set of corporate governance principals and guidelines specifically applicable to the Company;
2. Identifying individuals qualified to become members of the Board;
3. Reviewing the composition of the Board and its committees; and
4. Monitoring, reviewing and approving compensation policies and practices of the Company and administering the Company’s equity compensation plans.

### ***Responsibilities***

The Committee’s responsibilities shall include:

1. Reviewing and assessing the Company’s corporate governance policies and practices and conducting a periodic review of the Company’s corporate governance practices;
2. Reviewing and assessing the independence of each of the directors;
3. Ensuring there are processes in place to evaluate the functioning of the Board and its committees (including this Committee) on an annual basis;
4. Reviewing and assessing this Mandate and the Mandates of all the other committees of the Board and recommending any proposed changes to the Board on an annual basis;
5. Reviewing and approving the annual disclosure relating to executive compensation and corporate governance practices contained in the Company’s Management Information Circular and other public disclosure documents;
6. Reviewing and approving any significant amendments to the Company’s Disclosure Policy;
7. Making recommendations to the Board as to changes in the size and composition of the Board, and submitting recommendations on the number of Board positions to be filled and the overall composition of the Board, taking into consideration the business experience and specific areas of expertise of each current director and the need for the Board as a whole to have diversity of perspectives;
8. Reviewing and assessing the qualifications of persons proposed for appointment or election to the Board and submit to the Board for consideration, consistent with any criteria approved by the Board, the names of persons to be nominated for election as directors at the annual meeting of shareholders, or to be appointed to fill vacancies between annual meetings, and assess whether these candidates would be considered independent, financially literate or an audit committee financial expert;
9. 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 (“CEO”) and other officers;

10. Making recommendations to the Board as to the composition of the committees of the Board (including this Committee);
11. Being available as a forum for addressing the concerns of individual directors;
12. Reviewing annually the position descriptions for the Chairman of the Board, the Chairs of each committee of the Board and the CEO, and recommending any amendments to the Board, where appropriate;
13. Reviewing and recommending the implementation of structures and procedures to facilitate the Board's independence from management and to avoid conflicts of interest;
14. Monitoring relationships between senior management of the Company and the Board, and recommend procedures to allow directors to have access to, and an effective relationship with, senior management;
15. Reviewing the program of the Board for each year, and the methods and processes to be pursued in carrying out this program, including:
  - (i) the frequency and content of meetings and the requirement for any special meetings;
  - (ii) any board work plans;
  - (iii) the material to be provided to directors generally and with respect to meetings of the Board or its committees; and
  - (iv) the communication process between the Board and management, including the quality of the relationship between management and the Board. Reviewing the Company's orientation and education program with respect to new directors;
16. 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;
17. Considering the implications of the risks associated with the Company's compensation policies and practices;
18. Reviewing and making recommendations to the Board with respect to the corporate goals and objectives relevant to the compensation of the CEO, evaluating the performance of the CEO in light of those goals and objectives, and recommending to the Board the compensation level of the CEO based on this evaluation;
19. Reviewing and approving the annual compensation of all other senior executive officers of the Company, as recommended by the CEO;
20. Making recommendations to the Board with respect to any incentive-compensation plans and equity-based plans;
21. Administering the Company's Stock Option Plan in accordance with the terms of such plans.

**Composition**

The Committee shall be appointed by the Board annually and shall be comprised of a minimum of two members. 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. Any member may be removed from office or replaced at any time by the Board.

All of the members of the Committee shall be directors whom the Board has determined are independent<sup>1</sup>, as such term is defined by applicable laws and related rules and regulations, and rules of relevant stock exchanges.

The Board shall appoint one Member as the chair of the Committee (the “Chair”). If the Chair is absent from a meeting, the Members shall select an Acting Chair from among those Members in attendance at the meeting.

**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.

**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.

The Committee will keep minutes of its meetings which shall be available for review by the Board.

The Committee may appoint any individual, who need not be a member, to act as the secretary at any meeting.

The Committee may invite such directors, senior executive officers and other employees of the Company and such other advisors and persons as is considered appropriate to attend any meeting of the Committee.

The Committee will report its determinations and recommendations to the Board.

**Authority**

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 retain any such advisor at the expense of the Company, without the Board’s approval, at any time and has the authority to determine the advisor’s fees and other retention terms, as well as direct oversight of the advisor’s work.

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<sup>1</sup> See the Board Mandate for a definition of “independent”.

***Duties of the Chair of the Committee***

The fundamental responsibility of the 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 Chair's responsibilities shall include:

1. Working with the Chairman of the Board, the CEO and the Corporate Secretary to establish the frequency of Committee meetings and the agendas for meetings;
2. Providing leadership to the Committee and presiding over Committee meetings;
3. Facilitating the flow of information to and from the Committee and fostering an environment in which Committee members may ask questions, receive answers, and express their viewpoints;
4. Reporting to the Board with respect to the significant activities of the Committee and any recommendations of the Committee;
5. Leading the Committee in annually reviewing and assessing the adequacy of this Mandate and evaluating its effectiveness in fulfilling its mandate; and
6. Taking such other steps as are reasonably required to ensure that the Committee carries out its mandate.