

## BOARD MANDATE

### *Obligations*

The Board of Directors shall assume the responsibility for the stewardship of the Corporation and shall:

1. Supervise the management of the business and affairs of the Corporation; and
2. Act in accordance with the Corporation's obligations contained in the Canada Business Corporations Act (the "**CBCA**"), the securities legislation of each province and territory of Canada, the governance guidelines of the Toronto Stock Exchange and the American Stock Exchange, other relevant legislation and regulations and the Corporation's articles and by-laws.

As a matter of policy, the following matters must be considered by the Board as a whole and may not be delegated to a committee:

1. Changing the membership of, or filling a vacancy in, any committee;
2. Appointing and removing officers, unless such appointment or removal is specifically delegated to the President and Chief Executive Officer or a committee of the Board; and
3. Such matters, if any, as may be specified in the resolution establishing any committee.

Pursuant to the CBCA, the following additional matters must be considered by the Board as a whole and may not be delegated to a committee:

1. Submission to the shareholders of any question or matter requiring the approval of the shareholders;
2. Filling a vacancy in the office of auditor;
3. Issuing securities except in the manner and on the terms authorized by the directors;
4. Declaring dividends;
5. Purchasing or redeeming or any other form of acquiring shares issued by the Corporation;
6. Paying a commission or allowing a discount to any person in consideration of that person subscribing or agreeing to subscribe for shares of the Corporation or procuring or agreeing to procure subscriptions for any such shares;
7. Approving management proxy circulars;
8. Approving any take-over bid circular or directors' circular;
9. Approving the annual financial statements of the Corporation; and
10. Adopting, amending or repealing the by-laws of the Corporation.

## ***Duties***

### ***Introduction***

The Board operates by delegating certain of its authorities, including spending authorizations, to management and by reserving other powers to itself. Subject to the Articles and By-Laws of the Corporation, the Board retains the responsibility for managing its own affairs including planning its composition, selecting its Chairman, nominating candidates for election to the Board, appointing committee members and determining director compensation. The Board's principal duties fall into the following six categories.

### ***Selection of the Management***

The Board has the responsibility for:

1. Appointing and replacing the Chief Executive Officer, monitoring Chief Executive Officer performance, determining Chief Executive Officer compensation and providing advice and counsel in the execution of the duties of the Chief Executive Officer;
2. Approving the appointment and remuneration of all corporate officers, acting upon the advice of the Chief Executive Officer; and
3. Ensuring that adequate provision has been made for management succession.

### ***Monitoring and Acting***

The Board has the responsibility for:

1. Monitoring the Corporation's progress towards its goals, and to revise and alter its direction through management in light of changing circumstances;
2. Taking action when performance falls short of its goal or in other special circumstances (for example, mergers and acquisitions or changes in control);
3. Identifying principal risks and ensure appropriate systems to manage those risks are implemented; and
4. Approving any payment of dividends to shareholders.

### ***Strategy Determination***

The Board has the responsibility to participate with management directly or through its committees, in developing and approving the mission of the Corporation, its objectives and goals, and the strategy by which it proposes to reach those goals.

### ***Policies and Procedures***

The Board has a particular responsibility for:

1. Confirming that the Corporation operates at all times within applicable laws and regulations, and to the highest ethical and moral standards;
2. Approving and monitoring compliance with significant policies and procedures by which the Corporation is managed;

3. Ensuring that the integrity of the internal control and information management systems are maintained;
4. Approving all significant transactions involving the Corporation; and
5. Reviewing material press releases prior to dissemination.

### Reporting to Shareholders

The Board has the responsibility for:

1. Ensuring that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;
2. Ensuring that the financial results are reported fairly and in accordance with generally accepted accounting standards;
3. Ensuring, to the extent it is aware, the timely reporting of any other developments that have a significant and material impact on the value of the Corporation and in setting out its future plans and strategies; and
4. Reporting annually to shareholders on its stewardship for the preceding year.

### Legal Requirements

The Board is responsible for confirming that legal requirements have been met and that documents and records have been properly prepared, approved and maintained

### ***Constitution and Role of the Board of Directors***

#### Board Composition

##### 1. Constitution of the Board

The Board will be constituted with a majority of unrelated and independent directors.

If the Corporation has a significant shareholder, the Board will include, at a minimum, a proportion of unrelated directors that fairly represents the investment in the Corporation by shareholders other than the significant shareholder.

The Board will determine annually whether it is constituted with the appropriate number of unrelated or independent directors, as the case may be, and will report its conclusions, and the analysis supporting the conclusions, as required by applicable laws.

##### 2. Board Membership

The Board is responsible for selecting nominees for appointment or election to the Board. The Board delegates the nomination process to the Governance, Nominating and Compensation Committee with the input from the Chairman of the Board and the President and Chief Executive Officer.

The Governance, Nominating and Compensation Committee reviews with the Board on an annual basis, the appropriate diversity, skills and experience required of Board members in the context of the needs of the Board, and will recommend increasing, decreasing or replacing directors to facilitate more effective governance of the Corporation.

The Governance, Nominating and Compensation Committee will provide an orientation and education program for new recruits to the Board.

### 3. Board Size

The Board will annually consider its size and will increase or decrease the number of directors to facilitate more effective leadership and decision-making.

### 4. Inside and Outside Directors

An “inside” director is a director who is an officer or employee of the Corporation or of any of its affiliates. The only inside director shall be the President and Chief Executive Officer.

An “outside” director is a director who is not a member of management.

### 5. Unrelated Directors

An “unrelated” director is a director who is independent of management and is free from any business or other relationship, other than interests and relationships arising from shareholding, which could, or could be perceived to, materially interfere with the director’s ability to act in the Corporation’s best interest.

If a shareholder is in a position to control or influence control of the Corporation, that person is a “significant” shareholder. For purposes of assessing “relatedness”, a director who is a significant shareholder, or is a director with interests in or relationships with the significant shareholder is not considered a related director under the TSX guidelines.

### 6. Independent Directors

A director is considered “independent” for the purposes of the policies and guidelines set out in this Governance Manual if such director satisfies the requirements of “outside” and “unrelated” prescribed by the TSX.

Notwithstanding the foregoing, directors appointed to the Audit Committee shall meet the standards prescribed by both the TSX and the AMEX.

On the earlier of July 31, 2005 and the date of the first annual shareholder meeting of the Corporation following July 1, 2004, a director shall be considered independent if he or she meets the following requirements:

- a) A member of an audit committee is independent if the member has no direct or indirect material relationship with the issuer.
- b) For the purposes of subsection a), a material relationship means a relationship which could, in the view of the issuer's board of directors, reasonably interfere with the exercise of a member's independent judgement.
- c) Despite subsection b), the following individuals are considered to have a material relationship with an issuer:
  - i. An individual who is, or has been, an employee or executive officer of the issuer (or any of its affiliates), unless the prescribed period has elapsed since the end of the service of employment;
  - ii. An individual whose immediate family member is, or has been, an employee or executive officer of the issuer (or any of its affiliates), unless the prescribed period has elapsed since the end of the service of employment;
  - iii. An individual who is, or has been, an affiliated entity of, a partner of, or employed by, a current or former internal or external auditor of the issuer, unless the prescribed period

has elapsed since the person's relationship with the internal or external auditor, or the auditing relationship, has ended;

- iv. An individual whose immediate family member is, or has been, an affiliated entity of, a partner of, or employed in a professional capacity by, a current or former internal or external auditor of the issuer, unless the prescribed period has elapsed since the person's relationship with the internal or external auditor, or the auditing relationship, has ended;
- v. An individual who is, or has been, or whose immediate family member is or has been, employed as an executive officer of an entity if any of the issuer's current executives serve on the entity's compensation committee, unless the prescribed period has elapsed since the end of the service or employment;
- vi. An individual who: (x) has a relationship with the issuer pursuant to which the individual may accept, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors, or any board committee or as part-time chair or vice chair of the board or any board committee; and (y) receives, or whose immediate family member receives, more than \$75,000 per year (or US\$60,000 whichever is less) in direct compensation from the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee or as part-time chair or vice chair of the board or any board committee, unless the prescribed period has elapsed since he or she ceased to receive more than \$75,000 per year (or US\$60,000 whichever is less) in such compensation;
- vii. An individual who is an affiliated entity of the issuer or any of its subsidiary entities;
- viii. A person who is, or has a family member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the issuer made, or from which the issuer received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or US\$200,000, whichever is more, other than the following:
  - a. Payments arising solely from investments in the issuers securities; or
  - b. Payments under non-discretionary charitable contribution matching programs;
  - c. A person who has participated in the preparation of the financial statements of the issuer or any current subsidiary of the issuer and any time during the past three years.

"Prescribed period" means the period prescribed by law and currently under the Canadian Multilateral Instrument 52-110 it is the shorter of: (i) the period commencing on March 30, 2004 and ending immediately prior to the determination of independence; and (ii) the three year period ending immediately prior to the determination of independence and under the AMEX rules it is three years.

The Board shall have the authority to appoint a non-independent director or directors to a committee or appoint a committee, the members of which do not constitute a majority of independent directors, if permitted by applicable laws and rules of the TSX and AMEX.

### Resignation

#### 1. Employment Responsibility

Any director who changes the responsibilities he or she held when elected to the Board should inform the Governance, Nominating and Compensation Committee so that they may consider the appropriateness of that person's continued Board membership under the changed circumstances.

### Relationship with Management

The Board functions independently of management, and the role of Chairman is separate from that of President and Chief Executive Officer. The Chairman's role is to effectively manage and provide leadership to the Board while the role of the Chief Executive Officer is to provide the day-to-day leadership and management of the Corporation.

1. The President will be the Chief Executive Officer of the Corporation.
2. The Chief Executive Officer formulates Corporation policies and proposed actions and presents them to the Board for approval. The Chief Executive Officer keeps the Board fully informed of the Corporation's progress towards the achievement of, and of all material deviations from, the goals or objectives and policies established by the Board in a timely and candid manner.
3. The Chief Executive Officer speaks for North American Palladium Ltd. Individual Board members may meet or otherwise communicate with various constituencies but only with the knowledge of the Chief Executive Officer and, in most instances, at the request of the Chief Executive Officer.

Section 9 sets out the obligations of the directors. The Chairman's duties and responsibilities are set out in Section 10.

### Strategic Plan

The Board, with the assistance of the Chief Executive Officer, is responsible for establishing the long-term goals and objectives of the Corporation.

The initiative for developing and modifying the corporate strategies to achieve these goals and objectives must come from management. The Board may assist in the development of the strategies, act as a resource, contribute ideas and ultimately approve the strategy, but management will lead this process.

The Board is responsible for monitoring management's success in implementing the strategies to achieve such goals and objectives and ensuring that the strategies are modified appropriately.

### Performance Evaluation

#### 1. Chief Executive Officer Evaluation

One of the most important aspects of effective governance is the relationship between the Chief Executive Officer and the Board. It is crucial that the Board is fully informed and that the Chief Executive Officer has a forum for drawing on the wisdom and experience that exists within the

Board. While it is expected that full and frank dialogue will exist between the Chief Executive Officer and the Board, a Chief Executive Officer review process at least once a year ensures that this communication takes place. It allows for a full and healthy dialogue between the Board and the Chief Executive Officer regarding corporate and individual performance. The performance review for the President and Chief Executive Officer is set out in Section 8.

## 2. Board Evaluation

The Board is committed to evaluating its own performance on an annual basis. The review process is also an opportunity to provide input to the Chairman on his or her performance.

The Board review process is outlined in Section 25. This assessment is designed to evaluate the Board's contribution as a whole and to review areas in which the Board believes a better contribution can be made. Its purpose is to increase the effectiveness of the Board, not to single out individual Board members.

## Meetings

The Board will meet on a scheduled basis five times per year and more frequently if required. The Chairman, with the assistance of the Chief Executive Officer, will be responsible for establishing the agenda for Board meetings. A significant portion of each meeting will be spent examining future plans and strategies.

The Chairman shall solicit from the members of the Board recommendations as to matters to be brought before the Board and shall ensure that such matters receive a fair hearing. The Chairman shall have the same voting powers as all directors and will determine, consistent with the Corporation's by-laws, which matters require a vote. In the case of an equality of votes, the Chairman, in addition to his or her original vote, shall have the casting vote.

Management will deliver a meeting agenda and background material on agenda items to directors not less than 5 business days prior to each meeting, so that Directors can prepare for the Board meetings.

As a matter of principle, directors should always be made aware by the Chairman whether they are discussing issues or proposals for "discussion" or for "decision".

### 1. Guests at Board Meetings

Guests may be invited by the Board and Chief Executive Officer to make presentations to the Board. Should the Chief Executive Officer wish to invite other people as attendees on a regular basis, the Chief Executive Officer should first seek the concurrence of the Board.

### 2. Access to Senior Management

The Board should meet on a regular basis without management present. However, the Board encourages the Chief Executive Officer to bring into Board meetings employees who can provide additional insight into the items being discussed and/or who have potential and should be given exposure to the Board.

If a director is in the situation of having to contact an employee directly, the director will ensure that this contact is not distracting to the business operation of the Corporation. The Chief Executive Officer should be made aware of the substance of such contact.

### Board Information

Prior to each quarterly meeting, the Board should receive the following information from management:

1. A letter from the President and Chief Executive Officer outlining major accomplishments and issues;
2. A summary of each agenda item that requires a thorough debate of various courses of action and concluding with management's recommendations and summary of the risks. The directors should receive this information not less than 5 business days prior to each meeting; and
3. If the subject matter is too sensitive to put on paper, the presentations will be discussed at the meeting.

### Board Committees

The Board may form a committee of directors and delegate to such committee any powers of the directors, subject to Section 115 of the Canada Business Corporations Act ("CBCA"). A committee shall generally be composed of outside directors, a majority of whom are unrelated and independent directors, although some board committees may include the one inside director.

Subject to the Corporation's by-laws and any resolution of the board of directors, a committee may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit. Where neither the Board nor the committee has determined the rules or procedures to be followed by the committee, the rules and procedures set out in the by-laws, paragraphs 8 to 15, shall apply with necessary modifications.

The committee membership, meeting schedules and reference to mandates are set out in Section 1 and Sections 5 through 9. The roles of the committees with respect to the Board are discussed below:

#### 1. Committee Membership

Committee members are appointed by the Board on the recommendation of the Board Chairman in consultation with the Chief Executive Officer and the Governance, Nominating and Compensation Committee and with consideration of the desires of individual Board members.

Consideration will be given to rotating committee members periodically.

Committee Chairmen are selected by the Board on the recommendation of the Chairman. The Chairman of a committee presides at all meetings of the committee and is responsible to see that the work of the committee is well organized and proceeds in a timely fashion.

All directors may attend meetings of any Committee at the Committee Chairman's invitation, but may not vote and may not be counted for the purposes of the quorum.

#### 2. Committee Meetings and Agendas

The committee Chairman, in consultation with committee members, will determine the location, frequency and length of the meetings of the committee. The Audit Committee shall meet at least four times per year to review the annual and interim financial statements. All other committees shall meet at least annually. The Chairman of the committee, in consultation with the Chief Executive Officer or the appropriate senior manager, will develop the committee's agenda.

Notice of meetings shall be given by letter, facsimile or other means of recorded electronic communication, or by telephone not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meetings before or after the holding thereof.



### 3. Committee Responsibilities

Committees analyze, consistent with their terms of reference, strategies and policies which are developed by management. Committees may make recommendations to the Board but, unless specifically mandated to do so, do not take action or make decisions on behalf of the Board.

A committee may, from time to time, request assistance of external advisors who the committee requires to research, investigate and report on matters within a committee's term of reference. This request should be approved by the Board and coordinated through the Chairman and Chief Executive Officer.

### 4. Reporting

Each committee has a duty to report to the Board all matters that it considers to be important for Board consideration.

#### Director Compensation

Remuneration of directors is established by the Board on the recommendation of the Governance, Nominating and Compensation Committee and shall be generally in line with that paid by public companies of a similar size and type.

The Board encourages Board members to own shares in the belief that share ownership facilitates the directors' identification with the interests of the shareholders. Under a new policy adopted in 2007, Directors are expected to spend at least \$75,000 on purchases on common shares of the Corporation by the later of August 2010 and three years from the date from the date they joined the Board. To achieve this target, each director shall purchase shares of North American Palladium in the amount equal to at least half of the after-tax annual base retainer fee earned until the target is achieved.

#### Corporate Standards of Conduct

The Board has the responsibility for ensuring that standards of conduct are established and for monitoring compliance by the Corporation.

The Corporation has established an Environmental Policy, Occupational Health and Safety Policy, Whistleblower Policy and Code of Conduct.

#### Access to Outside Advisors

Individual directors or a group of directors may engage an outside advisor at the expense of the Corporation in appropriate circumstances. The engagement of the outside advisor should be coordinated through the Chairman and the Chief Executive Officer, and be subject to Board approval.