



## STILLWATER MINING COMPANY

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### Corporate Governance Principles

As amended on March 10, 2004

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## 1. INTRODUCTION

Stillwater Mining Company's management and board of directors remain committed to conducting business consistent with good corporate governance practices.

These guidelines have been published in order to inform stockholders of the board's current thinking with respect to selected corporate governance issues. The board will continue to assess the appropriateness and effectiveness of the guidelines, and it is likely that changes to the guidelines will be considered from time to time. Compliance with the Corporate Governance Principles is reviewed annually in connection with the preparation of Stillwater Mining Company's annual meeting proxy statement and each director has confirmed his compliance with the principles.

Stillwater Mining Company's annual report will include disclosure that: (a) the Company has adopted Corporate Governance Principles; (b) these Principles, Committee Charters, and Business Ethics Policy and Code of Ethics are available on the Company's website; and (c) this information is available in print to any stockholder who requests them.

## 2. BOARD MISSION & OBJECTIVES

### 2.1 Mission Statement

The board's goal is to build long-term value for the Company's stockholders and to assure the success of the Company for its customers, employees and the other individuals and organizations who depend on the Company.

To achieve these goals, the board will monitor both the performance of the Company (in relation to its goals, strategy and competitors) and the performance of the Chief Executive Officer, and offer him or her constructive advice and feedback.

### ***Vision***

A Company providing sustainable growth through:

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- Performance
- Products
- Processes
- Practices
- People
- Profit

#### ***Mission***

Profitably produce PGMs through:

- Operating Safely
- Promoting Community and Environmental Stewardship
- Minimizing Costs
- Investing in our Workforce

#### ***Values***

- Safety first – production will follow
- Expect and promote team work-by encouraging diverse opinion, new ideas and innovation
- Promote innovation and continuous improvement
- Be accountable for results
- Recognize and reward success
- Value and develop the Company's people
- Treat individuals with respect and dignity
- Know and serve the Company's stockholders
- Promote trust through open and honest communication

### **2.2 Corporate Authority & Responsibility**

The business and affairs of the Company shall be managed by or under the direction of the board. A director is expected to spend the time and effort necessary to properly discharge such director's responsibilities. Accordingly, a director is expected to regularly attend meetings of the board and committees on which such director sits, and to review prior to meetings material distributed in advance for such meetings. A director who is unable to attend a meeting (which it is understood will occur on occasion) is expected to notify the chairman of the board or the chairman of the appropriate committee in advance of such meeting. Directors are also invited and encouraged to attend all annual meetings of shareholders.

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## 3 DIRECTORS

### 3.1 Personal Characteristics & Core Competencies of Directors

Individual directors should possess all of the following personal characteristics:

- Integrity And Accountability - Character is a primary consideration in evaluating any board member. Directors should demonstrate high ethical standards and integrity in their personal and professional dealings and be willing to act on and remain accountable for their boardroom decisions.
- Financial Literacy - One of the important roles of the board is to monitor the Company's financial performance. Board members should be financially literate. Directors should know how to read a balance sheet, income statement and cash flow statement, and understand the use of financial ratios and other indices for evaluating Company performance.
- High Performance Standards - In today's highly competitive world, only companies capable of performing at the highest levels are likely to prosper. Board members should have a history of achievements that reflect high standards for themselves and others.
- Informed Judgment - Board members should have the ability to provide wise, thoughtful counsel on a broad range of issues. Directors should possess intelligence and wisdom and apply it in decision making.
- Mature Confidence - The board functions best when directors value board and team performance over individual performance. Openness to other opinions and the willingness to listen should rank as highly as the ability to communicate persuasively. Board members should approach others assertively, responsibly and supportively and raise tough questions in a manner that encourages open discussion.
- Focus - Directors should be focused on the performance of the Company over the short and long term, both in absolute terms and relative to its peers. This focus should manifest itself in engaged debate about the future of the Company and an esprit de corps among the board that both challenges and inspires the Company's employees.
- Open Mindedness - Success in the mining business will ultimately go to the participants who adapt to changing environments and implement creative solutions to the significant challenges faced by mining industry participants. Board members should possess the talents needed to augment those of management.
- Availability – Directors should be able to devote the time needed to perform their duties diligently.

### 3.2 Core Competencies of the Board as a Whole

To adequately fulfill the board's complex roles, from overseeing the audit and monitoring managerial performance, to responding to rapidly changing market conditions and approving the Company's strategic plan, a host of core competencies need to be represented on the board. The board as a whole should possess the following core competencies, with each member contributing knowledge, experience and skills in one or more domains.

- Accounting and Finance - Among the most important missions of the board is ensuring that stockholder value is both enhanced through corporate performance and protected through adequate internal financial controls.
- Management - To monitor corporate management, the board needs to understand management trends in general and industry trends in particular. The board should have one or more directors who understand and stay current on general management "best practices" and their application in complex, rapidly evolving business environments.
- Business Judgment - Stockholders rely on directors to make sensible choices on their behalf. The directors should bring their best judgment to any decision affecting the Company.
- Industry Knowledge - Companies continually face new opportunities and threats that are unique to their industries. The board should have one or more members with appropriate and relevant industry-specific knowledge.
- International Markets - To succeed in an increasingly global economy, the board should have one or more directors who appreciate the importance of global business trends and who have first-hand knowledge of international business experience in those markets.
- Leadership - Ultimately, the directors will determine a company's performance and CEO's ability to attract, motivate, and energize a high-performance leadership team. The board should have one or more directors who understand and possess empowerment skills and have a history of motivating high-performing talent.
- Strategy & Vision - A key board role is to approve and monitor Company strategy to ensure the Company's continued high performance. The board should have one or more directors with the skills and capacity to provide strategic insight and direction by encouraging innovation, conceptualizing key trends, evaluating strategic decisions, and continuously challenging the organization to sharpen its vision.
- Crisis Response - Organizations inevitably experience both short and long-term crises. The ability to deal with crises can minimize ramifications and limit negative impact on firm performance. The board should have one or more

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directors who have the ability and time to perform during periods of both short-term and prolonged crises.

#### **3.3 Changes in Professional Responsibility**

The board should consider whether a change in an individual's professional responsibilities directly or indirectly impacts that person's ability to fulfill directorship obligations. To facilitate the board's consideration, the board requests that the CEO and any other inside directors submit a resignation as a matter of course upon retirement, resignation, or other significant change in professional roles and responsibilities. All directors are encouraged to submit a resignation as a matter of course upon retirement, a change in employer, or other significant change in their professional roles and responsibilities. If the board believes that a director will continue to make a contribution to the organization, the continued membership of that director may be supported.

#### **3.4 Identification and Recruitment of Board Members**

One of the tasks of the Corporate Governance and Nominating Committee is to identify and recruit candidates to serve on the board of directors. The Committee will present a list of candidates to the board for nomination. The Committee may at its discretion seek third-party resources to assist in the process. The CEO will be included in the process on a non-voting basis. Taking into account the Stockholders Agreement between the Company, Norilsk Nickel and Norimet Limited, the Committee will make a recommendation to the board and the board shall determine which of the recommended candidates to approve for nomination.

#### **3.5 Independent Directors**

A majority of the board of directors should be independent. No director qualifies as "independent" unless the board of directors affirmatively determines that the director has no material relationship with the Company (either directly or as a partner, stockholder or officer of an organization that has a relationship with the Company). The Company will publicly disclose that it is compliant with having a majority of independent directors and the standards and basis for such determination. An independent director is defined as a director who meets the independence standards of the New York Stock Exchange (the "NYSE") and other applicable standards.

The board shall review annually the relationships that each director has with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Following such annual review, only those

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directors who the board affirmatively determines have no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) will be considered independent directors, subject to additional qualifications prescribed under the listing standards of the NYSE or under applicable law. The board may adopt and disclose categorical standards to assist it in determining director independence.

#### **3.6 Outside Directorships of Publicly Traded Company**

The CEO and senior management of the Company should limit outside directorships to one or two; non-employee directors who are employed on a full-time basis should limit other directorships to three or four; and retired executives should limit other directorships to five or six. The Corporate Governance and Nominating Committee shall consider the number of other public company boards and other boards (or comparable governing bodies) on which a prospective nominee is a member.

#### **3.7 Compensation of Directors**

In order to align the interests of directors and stockholders, the Company will endeavor to compensate directors in the form of cash and Company equity only. Company equity can consist of options in company stock, stock, and/or restricted stock. The Corporate Governance and Nominating Committee shall annually review the compensation of directors including how such compensation relates to director compensation of companies of comparable size, industry and complexity. Such review will also include a review of both direct and indirect forms of compensation to the Company's directors, including any charitable contributions by the Company to organizations in which a director is affiliated and consulting or other similar arrangements between the Company and a director. Changes to director compensation will be proposed to the full board for consideration.

Directors fees (including any additional amounts paid to chairs of committees and to members of committees of the board) are the only compensation a member of the Audit Committee may receive from the Company.

#### **3.8 Director Tenure**

In order to replenish the board with fresh approaches to managing the Company, the maximum tenure for non-management directors shall be 15 years, provided, that the board may determine to waive this policy in individual cases.

A board member may not stand for reelection after age 72, but need not resign until

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the end of his or her term, provided, that the board may determine to waive this policy in individual cases.

In order to retain freshness in the process and to give new management the unfettered ability to provide new leadership, a retiring CEO shall not continue to serve on the board.

#### **4 BOARD ORGANIZATION**

##### **4.1 Annual Election of Directors**

In order to create greater alignment between the board's and the Company stockholders' interests and to promote greater accountability to the stockholders, directors shall be elected annually by the stockholders.

##### **4.2 Board Size**

In general, smaller boards are more cohesive, work better together and tend to be more effective monitors than larger boards. Therefore, the board shall be composed of seven to ten members. However, in order to accommodate the availability of an outstanding candidate the number of positions on the board may be expanded.

##### **4.3 Committee Structure and Charters**

It is the general policy of the Company that the board as a whole will consider all major decisions. As a consequence, the committee structure of the board is limited to those committees considered to be basic to or required for the operation of the Company as a publicly owned entity. Standing committees shall include Audit, Compensation, Corporate Governance and Nominating, Health Safety and Environmental and Ore Reserves. All of the committees other than the Health, Safety and Environmental committee shall be composed solely of independent directors. The board may form other committees as it determines appropriate.

##### **4.4 Lead Independent Director**

The Company's independent directors will designate one of the independent directors to serve as a lead independent director (the "Lead Independent Director"). The Lead Independent Director's duties will include coordinating the activities of the independent directors, coordinating the agenda for and moderating sessions of the Board's independent directors and other non-management directors, if any, and facilitating communications between the other members of the Board.

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In performing the duties described above, the Lead Independent Director is expected to consult with the chairmen of the appropriate Board committees and solicit their participation in order to avoid diluting the authority or responsibilities of such committee chairmen.

## **5 BOARD OPERATIONS**

### **5.1 Board Access to Senior Management**

Board members have full access to senior management and to information about the Company's operations. Except in unusual circumstances, the CEO should be advised of significant contacts with senior management.

### **5.2 Board Ability to Retain Advisors**

The board shall retain advisors as it believes to be appropriate. If management is retaining advisors to assist the board, such decision must be ratified by the board. Individual directors should not retain their own advisors except in exceptional circumstances.

In addition, the Audit Committee shall have the sole authority to hire and fire the independent auditors and to approve any significant non-audit services with the independent auditors.

### **5.3 Notice and Material in Advance of Meetings**

There shall be regularly scheduled meetings of the board each year. The board shall endeavor to have at least one meeting quarterly. Board and committee meetings should generally be held on at least five (5) days notice. In case of an emergency, notice may be waived. The board must be given sufficient notice and information to fully exercise its governance functions. This information comes from a variety of sources, including management reports, a comparison of performance to plans, security analysts' reports, articles in various business publications, etc. Generally, board members will receive information prior to board meetings so they will have an opportunity to reflect properly on the items to be considered at the meeting.

The board will ensure that adequate time is provided for full discussion of important items and that management presentations are scheduled in a manner that permits a substantial proportion of board meeting time to be available for open discussion.

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#### **5.4 Executive Session**

Time will be allotted during each board meeting for an executive session involving only the non-management and independent directors.

The independent directors shall designate, and publicly disclose the name of, the Lead Independent Director who will preside at the executive sessions to moderate and help facilitate communications between members of the Board. Any interested parties desiring to communicate with the Lead Independent Director and the other non-management directors regarding the Company may directly contact such directors pursuant to the Company's policy on stockholder communications with directors.

#### **5.5 Selection of the CEO**

The board shall be responsible for identifying potential candidates for, and selecting, the Company's Chief Executive Officer. In identifying potential candidates for, and selecting, the Company's Chief Executive Officer, the Board shall consider, among other things, a candidate's experience, understanding of the Company's business environment, leadership qualities, knowledge, skills, expertise, integrity, and reputation in the business community.

#### **5.6 Evaluation of CEO**

The selection and evaluation of the Chief Executive Officer and concurrence with the CEO's selection and evaluation of the Company's top management team are among the most important functions of the board. In its broader sense, "selection and evaluation" includes considering compensation, planning for succession and, when appropriate, replacing the CEO or other members of the top management team. The performance of the CEO will be reviewed at least annually without the presence of the CEO or other inside directors. The board should have an understanding with the CEO with respect to criteria on which he or she will be evaluated, and the results of the evaluation will be communicated to the CEO. The following steps will be utilized to carry out this review:

- The CEO will develop an annual self-evaluation and shall endeavor to provide this to the board within one-month of the end of the fiscal year, either orally or in writing.
- With this information, each non-management director will provide his or her assessment of the CEO's performance in writing to the Corporate

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Governance and Nominating Committee. These assessments should include the director's appraisal of:

- The Company's performance and the CEO's contribution to it, both compared to competitors and the Company's own strategic goals;
- Achievement of personal goals set by the CEO for the year, as part of his or her self-evaluation; and
- Other aspects of the CEO's performance which the non-management director deems relevant.

The Corporate Governance and Nominating Committee will synthesize this information and report a summary of this information to the non-management directors in executive session. After agreement by the non-management directors to the evaluation, the chairs of the board's committees will meet with the CEO to discuss the board's assessment. The CEO may then take the opportunity to discuss his or her reaction to the evaluation.

#### **5.7 Management Development**

The board shall determine that a satisfactory system is in effect for education, development, and orderly succession of senior and mid-level managers throughout the Company.

#### **5.8 Self-Evaluation by the Board and Board Committees**

The Corporate Governance and Nominating Committee will sponsor an annual self-assessment of the board's performance, the results of which will be discussed with the full board. The assessment should include a review of any areas in which the board or management believes the board can make a better contribution to the Company. The Company's Corporate Secretary shall endeavor to circulate an evaluation form within one month of the end of each fiscal year and the board shall endeavor to complete such form within two weeks of its receipt. The Corporate Governance and Nominating Committee will meet to review and discuss the forms and will utilize the results of this self-evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the board and making recommendations to the board with respect to assignments of board members to various committees.

Each board committee shall conduct an annual self-assessment of its performance, the results of which shall be discussed with the Corporate Governance and Nominating Committee and the full board. The Company's Corporate Secretary shall endeavor to circulate an evaluation form within one month of the end of each fiscal

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year and the committee members shall endeavor to complete such form within two weeks of its receipt.

#### **5.9 Certifications**

Each quarter the CEO and CFO will certify the accuracy and completeness of financial and non-financial information in the Company's quarterly and annual SEC reports and will certify that disclosure controls and procedures are implemented and effective. All periodic reports will contain a separate certification that they comply with applicable law and that the information contained therein fairly presents the Company's financial condition and results of operations.

Each year the CEO will certify to the NYSE that:

- the CEO is not aware of any violations by the Company of NYSE listing standards.

#### **5.10 Management Development**

The CEO will report annually to the board on the Company's program for management development.

#### **5.11 Succession Plan**

CEO succession is a board-driven, collaborative process. Although the current CEO has an important role to play, the board must develop its own plan for succession while collaborating with the CEO in deciding the timing and the necessary qualifications for making a final decision.

#### **5.12 Outside Contacts**

The board believes that the management speaks for the Company. Individual board members may, from time to time at the request of management or the board, meet or otherwise communicate with various constituencies that are involved with the Company. If comments from the board are appropriate, they should, in most circumstances, come from the chairman; however, this does not preclude directors, in the exercise of their fiduciary duties and subject to confidentiality constraints, from communicating with stockholders or others.

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#### **5.13 Board Orientation and Continuing Education**

The Company shall provide new directors with a director orientation program to familiarize such directors with, among other things, the Company's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, conflicts policies, code of business conduct and ethics, corporate governance guidelines, principal officers, internal auditors and independent auditors. Each director is expected to participate in continuing educational programs in order to maintain the necessary level of expertise to perform his or her responsibilities as a director.

#### **6 APPROVALS**

##### **6.1 Compensation Plans**

Stockholders shall be given the opportunity to vote on all equity compensation plans.

#### **7 BUSINESS ETHICS POLICY AND CODE OF ETHICS**

The board of directors shall adopt and disclose a Business Ethics Policy and Code of Ethics for directors, officers, and employees.

The Company will promptly disclose to stockholders any changes to or waivers of the Business Ethics Policy and Code of Ethics for directors, officers and employees.