

Progress

UNITING OUR CORE VALUES



Pan American
SILVER CORP.

EXECUTIVE SUMMARY
SUSTAINABILITY REPORT 2013

Uniting our Core Values

Our vision is to be the world's pre-eminent silver producer, with a reputation for excellence in discovery, engineering, innovation and sustainable development.

Pan American Silver Corp. (TSX: PAA/NASDAQ: PAAS), the second-largest primary silver producer in the world, is a Canadian corporation with its head office in Vancouver. The company is engaged in silver mining and mining-related activities throughout the Americas, including exportation and development, mineral extraction and processing, refining, and land reclamation. Here, in our fifth annual sustainability report, we take the opportunity to showcase the work we do in Mexico, Bolivia, Argentina, Peru, the United States and Canada, building socio-economic opportunities and setting an example through environmental stewardship. We operate three mines in Mexico, two mines in Peru, one mine in Bolivia and one mine in Argentina as well as exploration and development projects in North and South America.

OUR MANAGEMENT APPROACH

We believe that the key to our success is the close to 7,400 employees that work with us everyday to create a sustainable future. For that reason we hold the safety of our workers, the well being of the environment, and the connections we share with our communities as core values of our business model. In this report, you will learn how these core values take shape in the every day running of our business, proof of our conviction that sustainable development depends on the relationships we build with our employees and other groups of interest. With this management approach we have successfully developed long-lasting partnerships with our valued stakeholders, investors, and local communities, allowing us to improve our business year after year.

MATERIALITY

Pan American Silver conducted a detailed materiality assessment in 2012 that was reported on in our 2012 GRI sustainability report. The new G4 guidelines further refine and sharpen the definition of what is considered material to our organization for decision-making and reporting purposes. Taking this into account, with the added context provided through stakeholder and internal evaluations undertaken in 2013, we consider that the following G4 Aspects are material to our business and form the pillars of this report:

ENVIRONMENTAL

- Materials
- Energy
- Water
- Biodiversity
- Emissions
- Effluents and Waste
- Transport
- Environmental Grievance Mechanisms

ECONOMIC

- Economic Performance
- Market Presence
- Indirect Economic Impact
- Procurement Practices

SOCIETY

- Local Communities
- Anti-corruption
- Grievance Mechanisms for Impacts on Society

HUMAN RIGHTS

- Freedom of Association and Collective Bargaining
- Child Labour
- Forced or Compulsory Labour

LABOUR PRACTICES AND DECENT WORK

- Employment
- Occupational Health and Safety
- Training and Education
- Diversity and Equal Opportunity

PRODUCT RESPONSIBILITY

- Marketing Communications

MINING AND METALS

- Artisanal and Small-Scale Mining
- Resettlement
- Closure Planning
- Grievance Mechanisms and Procedures
- Emergency Preparedness
- Materials Stewardship

ROSS BEATY, *Chairman*

To me, "sustainable mining" means creating safe and clean working practices, maintaining as healthy a natural environment as possible at and around our operations, and partnering with our employees, contractors, communities and governments to create a strong economic, educational, transportation and healthy environment that will persist long after mining ceases. To achieve this requires a strong mission that sets these objectives at its core, a powerful execution team that can make it happen, and a universal acceptance that achieving sustainable development is simply good business for all. In other words, we believe this is a "win-win" situation for all stakeholders – including our shareholders.



“We will leave behind a legacy that really does support sustainable development.”

GEOFF BURNS, *President & CEO*

Welcome to our 2013 Sustainability Report where we present our progress and achievements in sustainable development over the past year. We continued to advance in our implementation of sustainability initiatives in what was a year of challenges and many successes. Faced with a lower price environment for silver and other metals that we produce, Pan American Silver was forced to adjust and adapt our business plans in order to reduce our cost structure across the entire company. I am pleased to report that not only were we successful in these efforts, but we were able to maintain our focus on our sustainable development objectives throughout this period, strengthening our economic, social, and environmental performance.



“As a team, we continue to consolidate and reaffirm our core values, and with that, Pan American Silver's position as the preeminent silver producing company.”

To download a copy of our full 2013 Sustainability Report, please visit: www.panamericansilver.com/sustainability/

Highlights of 2013

Record production of close to
26 million
silver ounces and
149,800
gold ounces

3,149
students attended from
primary to tertiary education
through our support

Alamo Dorado in
Mexico achieved
ZERO
water discharge.

Exceeded our safety
targets by
46%
for accident frequency and
64%
for accident severity

41
communities in
five countries
benefit from our
CSR programs

99%
of our workers
are from the local
communities

\$278 million
paid in royalties,
taxes and salaries in
Latin America

ZERO
Significant
Environmental
Incidents

7,339
total workforce

\$75.8 million
paid in dividends to our
shareholders

140 families
were given economic
opportunities through
our native potatoes
project in Peru

DOLORES MINE, MEXICO

All currency amounts are reported in \$US unless otherwise noted.

OUR OPERATIONS



Highlights of 2013

“For the second consecutive year, our greatest accomplishment during 2013 was exceeding our previous year’s record safety performance results.”

STEVE BUSBY, *Chief Operating Officer*

Total Safety Training Hours in 2013:

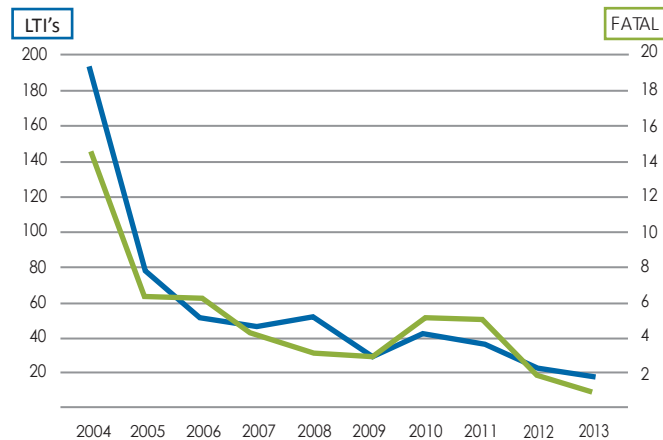
456,578

HEALTH AND SAFETY

We have worked diligently over the years to improve our health and safety performance which we measure in terms of Lost Time Injury Frequency (LTIF), Lost Time Injury Severity (LTIS) and numbers of fatalities. Our performance has improved dramatically since 2004 and continues to excel with LTIF, LTIS, number of accidents and fatalities among the lowest in the mining industry.

MARTIN WAFFORN, *Vice President, Technical Services*

TOTAL ACCIDENTS



LOCAL SUPPLY CHAIN

Mining in remote locations across Latin America requires a reliable supply chain and transport logistics for both supply materials and our products. We use locally based and certified suppliers for most of the chemical and fuel inputs to our operations and only in limited cases purchase directly from international suppliers who hold relevant certifications. Service providers are always locally based companies or local subsidiaries of international service or consulting groups. We continually strive to instill our core values of sustainable development in all our supply chain partners.

SEAN MCALEER, *Vice President, Human Resources and Security*

“Strong leadership is critical to being a responsible miner and to maintaining a culture of ethics and good corporate conduct.”

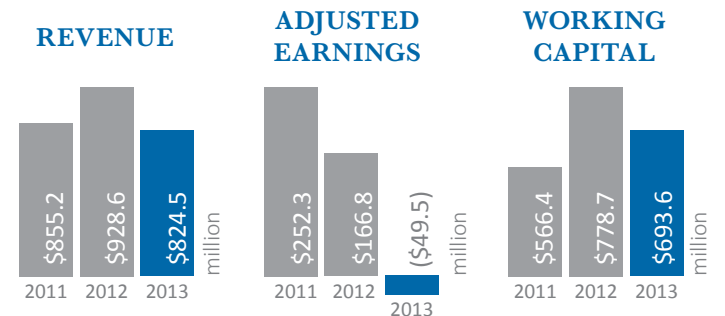
DELANEY FISHER, *Vice President, Legal Affairs and Corporate Secretary*

CONTRIBUTING TO LOCAL ECONOMIES

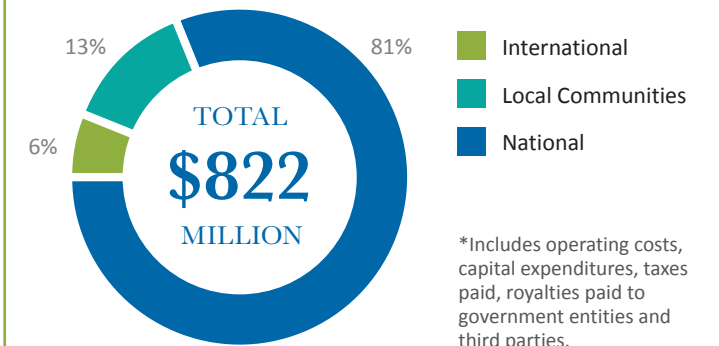
Revenues from our mining activities play a key role in driving economic development and although silver is a finite resource, we believe that our mines can create tremendous social and economic benefits that persist beyond the life of the mine. We continued to make significant contributions to the local economies in every one of our host communities during 2013, in spite of very challenging market conditions. In addition to the sums that we pay in salaries, taxes and other fees, we maintain an established practice of supporting local economies through our supply chain and the use of local providers of goods and services, whenever it is possible and practical. We work closely with local communities to support their ability to feed the supply chain we need for our operations, and to help them develop self-sustaining economies. In 2013, of all the expenditures made by our operating units, 94% were spent within the same countries where the operations are located, and 13% of the expenditures were spent in local communities surrounding the mines. This breakdown of our expenditures is based on who we pay and where they reside, not on where goods and services are ultimately sourced from, and clearly demonstrates the tremendous economic benefit that our activities generate in the regions that we operate in. By building strong relations with our communities and helping local entrepreneurs grow along with us, we increase value for all of our stakeholders. This approach has been, and will continue to be, an integral part of Pan American Silver’s success.

ROB DOYLE, *Chief Financial Officer*

FINANCIAL HIGHLIGHTS



EXPENDITURES MADE BY OUR OPERATING UNITS*



OPERATIONS TEAM, DOLORES MINE, MEXICO

Local Communities

Social development is a process that can only be achieved if an in-depth and carefully considered plan is developed, executed and monitored in all stages from exploration to operation and eventually to mine closure.

We understand that business activities such as mining can create temporary changes in demographics through migration and changing demands; however, social development policies help communities adjust to those changes and the future opportunities that will arise. Our approach to social development is based on our expertise and commitment to the following guiding principles:

- We believe in developing “good neighbour” relationships that are based on constant and fluid communication, while at the same time maintaining respect for local cultures and providing formal grievance mechanisms
- We **hire locally** whenever possible in order to support nearby communities
- We give **equal opportunities to all people** and we believe that everybody has a right to progress
- We focus on the needs and development of children, women and the elderly
- We continue to support and champion **health campaigns**, which are offered to all members of our local communities
- We build a strong **local supply chain** by training and granting opportunities to local entrepreneurs

- We build successful **partnerships** with NGOs and local governments that enhance our programs and increase transparency
- We create **sustainable development projects** that are not related to mining, and generate a new source of economic growth
- We adhere to the **UN Global Compact 10 Principles** and the **UN Voluntary Principles on Security and Human Rights**
- We focus on the **continuous education** of our employees and stakeholders
- We ensure that child labor and forced labor are absent from all our operations
- We foster **environmental stewardship** through setting an example and promoting community participation in environmental programs
- We respect **indigenous rights**. None of our operations are on or adjacent to indigenous territories
- We champion nutritional campaigns with a focus on infants that are designed in conjunction with our health and parental training programs, in accordance with the United Nations Convention on the Rights of the Child

MONICA MORETTO, *Manager, Corporate Affairs and Social Responsibility*

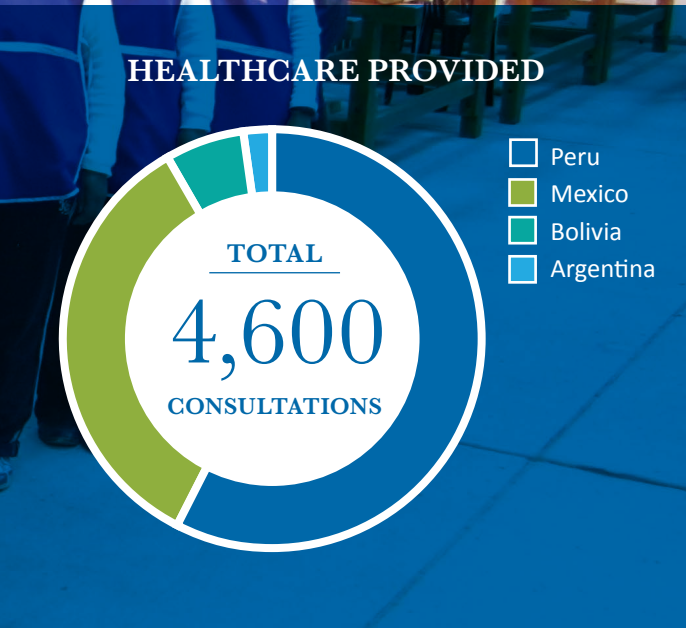
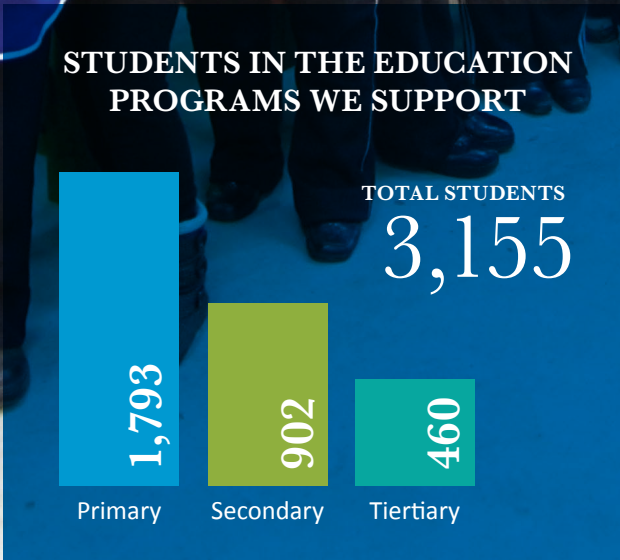
During 2013, Pan American Silver and its employees have contributed to a number of causes in Vancouver, including:

- **BC Lions Society for Children with Disabilities**
- **Canadian Breast Cancer Foundation**
- **Covenant House Youth Shelter**
- **UBC Farm**
- **Canadian Blood Services**
- **Vancouver International Children’s Festival**
- **Greater Vancouver Food Bank Society**



UQLLU ARTISANS, PERU

\$8.5 million
invested in the local communities in CSR and social infrastructure programs in 2013



535
families involved in sustainable development initiatives in Bolivia and Peru

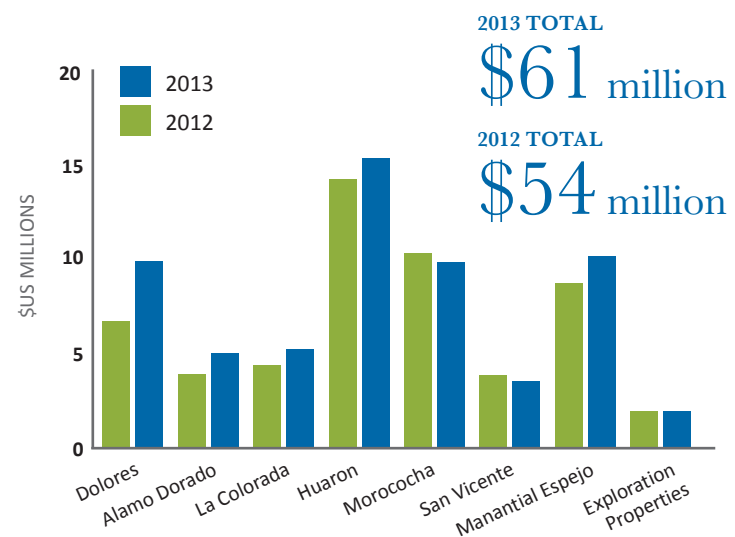
Environment

Our company vision recognizes that sustainable development is one of the core values upon which our reputation is built. Our strategy of environmental stewardship acknowledges not only the intrinsic and ethical importance of sustainable development, but also the real tangible value that responsible mining brings to our existing and future stakeholders. Our experience has shown that creating value through sustainable development also allows us to attract the best professionals in the industry and find creative ways to reduce our operating and project costs. This strategy is an evolving platform that includes taking a precautionary approach in mine design and making adjustments based on monitoring the results of our environmental procedures and controls, and the feedback from employees, local communities, government, and non-government organizations.

We recognize that while mining can impact negatively on our environment and natural resources unless managed responsibly, the products of our business also assist global society in its transition to a sustainable future. Metals such as the silver, gold, copper, zinc and lead from our mines are key components in renewable energy systems and clean technologies. The example we set through adherence to our core values, coupled with the wealth creation and social infrastructure built by our business, allows communities to raise education and living standards which fosters awareness on global sustainability issues and common goals.

MATT ANDREWS, *Vice President,
Environment and Sustainability*

MINE CLOSURE COSTS*



*Undiscounted and uninflated values for the period ending December 31, 2013.

All
THREE
of our Mexican
mines are now Clean
Industry Certified.

“In 2013 we focused on developing our team’s skills in evaluating and managing environmental risks beyond the basic regulatory requirements in each operating jurisdiction.”

GHG INTENSITY TABLE (Tonne CO₂/Tonne Ore Processed)

	2013	2012
Dolores	0.021	0.019
Alamo Dorado	0.027	0.027
La Colorada	0.069	0.069
Huaron	0.024	0.026
Morococha	0.032	0.031
San Vicente	0.036	0.038
Manantial Espejo	0.068	0.067

WATER USE INTENSITY TABLE (m³ Water/Tonne Ore Processed)

	2013	2012
Dolores	0.14	0.10
Alamo Dorado	0.23	0.24
La Colorada	0.27	0.44
Huaron	3.58	3.60
Morococha	3.68	3.35
San Vicente	0.60	0.25
Manantial Espejo	0.58	0.36

VICUÑAS, POTOSI, BOLIVIA

COMMENTS, QUESTIONS, OR FEEDBACK?

Please do not hesitate to contact us; we welcome any and all feedback. Please direct any questions regarding this report to Matt Andrews, Vice President of Environment and Sustainability or Monica Moretto, Manager of Corporate Affairs and Social Responsibility at:

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