



Pan American  
SILVER CORP.



# A Reputation for Excellence

---

EXECUTIVE SUMMARY  
SUSTAINABILITY REPORT 2014



At Pan American Silver, **sustainability** means holding the **safety** of our workers, the well being of the **environment**, and the connections we share with **communities** as core values. Sustainable development depends on the relationships we build with our employees and other local stakeholders.



All highlights throughout this report are of 2014.

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

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

**WE BELIEVE** that the key to our success is our nearly 7,000 employees and contractors who work every day with an inspiration towards creating 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 the local communities as core values in our business model. In order to best support these pillars, we continue to endeavor to attain a reputation for excellence in the eyes of all our stakeholders. Our ability to deliver best-in-class sustainable development initiatives depends largely on our efficiency at building positive relationships and managing our limited resources in ways that bring about the most benefit to the stakeholders that make up the foundation of Pan American Silver.

In our 2014 Sustainability Report, you will learn how these principles take shape in the every day running of our business, and how we strive to build a reputation for excellence in everything we do. It is our conviction that sustainable development depends on the relationships we build with our employees and the communities where we operate. With this management approach we have successfully developed long-lasting partnerships with our valued stakeholders, investors, and local communities, allowing us to enhance the sustainability of our business year after year, and maintain best practice industry standards.

## Table of Contents

2014 Highlights	2
Open & Honest Communication	3
First and Foremost, Our People	4
Safe and Healthy Workplaces	5
Local Communities	6
Caring for the Environment	8
Investing in Local Communities	10
Financial Strength	11

### 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, and healthy environment that will persist long after mining ceases.



### GEOFF BURNS, *Chief Executive Officer*

2014 was a milestone year for Pan American, as we celebrated the Company's 20th anniversary in the silver business. Our efforts over the past 20 years have delivered many rewarding results. In 2014, we recorded another year of world class safety performance, we achieved our goal of zero significant environmental incidents, we made important improvements in our sustainable development programs, at the same time as recording new annual company records for both silver and gold production.





# 2014 Highlights

**3,800**

students attended primary through tertiary education at the schools that we support

Outperformed annual safety targets by:

**55%**

for accident severity

**33%**

for accident frequency

**2,100**

people received medical attention through twenty-nine health campaigns

**ZERO**

Significant Environmental Incidents

**ALL**

of our Mexican mines received the Socially Responsible Company award (ESR)



# OPEN & TRANSPARENT Communication

Open communication and approachability not only fosters good relationships, they also help to ensure that we keep in touch with what really matters to our stakeholders.

Responsible mining and good governance involve the regular interaction, in an open and honest way, with governments, shareholders, local communities and other stakeholders and people affected by our operations. We are aware that our business is in many ways dependent on these stakeholders and establishing relationships of mutual trust and respect is important. Open communication and approachability not only foster good relationships, they also help to ensure that we keep in touch with what really matters to our stakeholders.

Pan American Silver's stakeholder groups range from our almost 7,000 employees and contractors to the local communities that host our operating mines and projects, to regional and national populations, government agencies, suppliers, contractors and consultants, non-government organizations, industry groups, and the investors in our company. We have a decentralized approach to stakeholder engagement due to our belief that effective dialogue is best achieved when the cultural context of each stakeholder group is understood and respected.

Through stakeholder consultations, we learn a great deal of what's important, and this enables us to design

We at Pan American Silver are constantly aware of the way we run our business and extremely proud of being able to generate raw materials for the world to consume while meaningfully contributing to the health and welfare of the people and environments around our operations.

and optimize our sustainability strategy at each level in our business. The reasonable expectations and interests of our stakeholders are a key driver for the content and disclosure in this report.

The results of the stakeholder engagement are then translated into a materiality assessment, which is a GRI tool that helps summarize all the findings into a format that allows Pan American Silver to focus on the things that truly matter.

## STAKEHOLDER'S TOP 10 MATERIAL ASPECTS

1. Water
2. Employment
3. Occupational Health and Safety
4. Closure Planning
5. Local Communities
6. Child Labor
7. Effluents and Waste
8. Security Practices
9. Training and Education
10. Anti-Corruption



To see our full Materiality Assessment, visit our new web-based 2014 Sustainability Report.





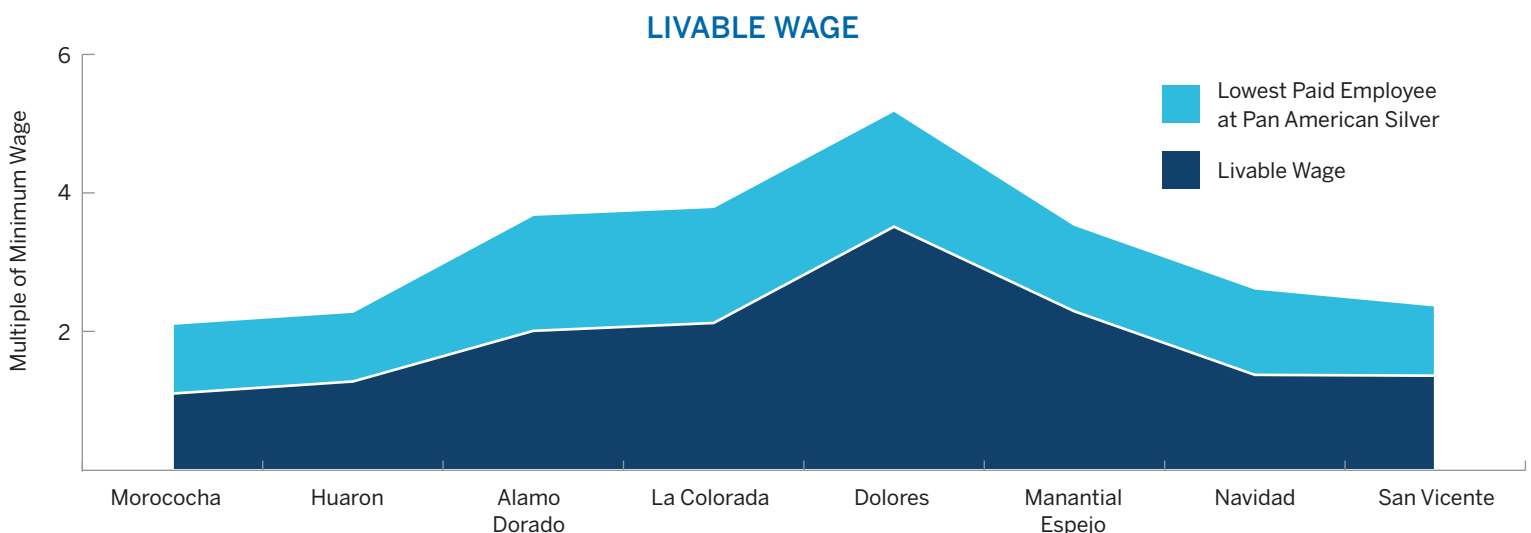
# FIRST AND FOREMOST, Our People

We want to ensure a safe, efficient, and productive workplace. Despite the challenges of declining metals prices in 2014, our safety record remained a priority and we continued investing in developing our leaders at all levels. Safety achievements are of primary importance to us, as we believe that a safe workplace is the foundation to successful production at our mines and projects. Furthermore, investing in leadership development is key to maintaining a culture of safety. If our leaders set the example and set the right tone, our employees and contractors will follow.

A second key component of our human resources strategy is to provide fair and competitive wages.

During the year, we undertook an evaluation of wages at each of our work locations using “livable wage” criteria. We already knew our compensation and benefits programs were competitive and that the mining industry is among the best-paying industries in each of our countries of operation, but we were pleased to find that our lowest paid employees were earning above a “livable wage” at each location. With lower metals prices, we expect continued pressure to reduce our unit labor costs, but we are encouraged to know that we are providing fair wages which exceed our “livable wage” calculations.

The strategies that will ensure long-term success of our business become visible each and every day through the actions of our people. Our employees, leaders, and partners are committed to achieving the goals of our human resources strategies.



The chart above shows the various livable wages by country – a wage that provides an individual with an income that can support their basic daily needs.

# Safe and Healthy Workplaces

At Pan American Silver, we are committed to providing safe and healthy work places for every single one of employees and contractors who work at our operations and projects.

Our Board of Directors has approved a Health and Safety policy that details the specific actions to be taken in order to fulfil this commitment. Management is tasked with implementation and regularly reports to the Board's Health, Safety and Environment Committee on compliance with the policy.

The significant achievements over time are the result of the systematic integration of a culture of safety throughout all company staff, employees, contractors, and service providers.

Over the past few years, we've dedicated a lot of time and effort at improving the health and safety standards of all our underground mines. Some of these mines are old and complex, making it difficult to change existing traditions and cultural practices that often go against company health and safety standards. Despite the challenges, we started by implementing technical improvements in ground support methods then enforced simple standards like "one meter advanced, one meter supported" and embarked on a company wide program of training and safety audits. After more than a decade of constant dedication to safety, we have achieved impressive results for our employees and contractors, their families, and all Pan American stakeholders.

In 2014, our lost time injury frequency rate was

**1.14**

and our lost time injury severity rate was

**357**

## HEALTH & SAFETY AWARDS

CAMIMEX (Mexico Chamber of Mines) – Casco de Plata (Silver Hardhat)

- La Colorada, First Place (Underground mine with more than 500 employees in Mexico)
- Dolores, First Place (Open pit mine with more than 500 employees in Mexico)

ISEM (Instituto de Seguridad Minera) – Peruvian National Security Competition

- Morococha, First Place (Underground mining category)

Alamo Dorado became the first mine in company history to achieve 5 million man hours worked without a lost time injury

Dolores became the first mine in company history to achieve 6 million man hours worked without a lost time injury





# Local Communities

2014 was another year of hard work and progress in all of our community programs. A significant portion of our workforce is sourced from the communities near our mines. Improving the lives of these workers, along with their families, and the other citizens of these local communities is the main objective of our Corporate Social Responsibility (CSR) programs. We work every day to improve our mutual understanding with these groups through our local CSR teams.

During the year, we focused on strengthening and implementing more efficient management tools. We created an internal Community Development Initiative Toolkit (CDI), which will help the company better gauge the necessity, feasibility, and likelihood of success of a given sustainable development project, by interacting with the different stakeholders and getting a better sense of their needs.

Pan American supports and develops a variety of programs with the purpose of improving health care and education in the communities surrounding our

operations. These health and education campaigns are integral to our social responsibility commitments.

Our approach to social development is based on:

- The development of “good neighbor relationships” with local communities
- Fostering skill development that can lead to increased local hiring
- Developing programs with a focus on children, women and the elderly
- Contributing to improvements in health and education services in local communities
- Helping provide local entrepreneurs with the tools to make them competitive local suppliers to our operations.
- Developing successful partnerships with NGO’s and local governments
- Creating culturally and technologically appropriate sustainable development programs
- Fostering environmental stewardship

It is our goal to improve and develop our social responsibility practices and be constantly on the lookout for new, innovative and globally recognized tools that can continue to improve the work we do in the communities and help align it with company values.







## BOLIVIA

In 2012, our Bolivian team created a one-of-a-kind initiative to benefit 11 communities in the region of Potosi surrounding our San Vicente mine. This sustainable development program, Project Access, was designed in partnership with the Canadian Department of Foreign Affairs, Trade and Development Canada (formerly CIDA), and is a three-year program that will help to improve the lives of 350 families that work in llama breeding.

## MEXICO

Over the past few years, we have been working hard to provide better and more accurate measures of the impact our procurement services have in the communities where we operate. There is more information regarding the estimated impact in the Economic section of this report. At Dolores, we helped to develop 14 service companies that provide economic opportunities to those not directly employed by the mine.

More than  
**100**

**schools supported through teachers, infrastructure, materials, and scholarships**

## PERU

To provide an alternative for community members that lack access to sufficiently large parcels of arable land needed for farming, the local CSR team at the Huaron mine designed a project to raise guinea pigs. Guinea pigs are an important part of the Peruvian diet in rural areas since their breeding is relatively inexpensive and they are high in protein. The CSR team reached out to the communities of Santa Cruz, Condorcayan and Canchacucho to start a pilot of the program with some community members.

## ARGENTINA

During 2014, we continued with the work done on the ranching project and our partnership with the local government in Gobernador Gregores, which led to the inauguration of the local slaughterhouse. The "Fundacion Agencia de Desarrollo de Gobernador Gregores", an agency created in 2007 with extraordinary funds donated by Pan American Silver, continued the financing of micro-loans that helped small businesses in the Gobernador Gregores community.

**1032**

**women received medical attention through our health campaigns in Mexico**

# CARING FOR THE Environment

Pan American Silver's company vision places sustainable development among the core values that guide our business. We view environmental stewardship as a fundamental aspect of sustainable development.

At Pan American we recognize not only the intrinsic and ethical importance of caring for the environment, 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 international best practice environmental

management, coupled with the wealth creation and social infrastructure provided by our investments, allows communities to raise education and living standards which in turn fosters awareness on global sustainability issues and common goals.

## ENVIRONMENTAL MANAGEMENT

The foundation of our environmental strategy is the use of best practice methods in environmental impact assessment and the employment of teams of leading local and international professionals who rigorously determine pre-existing environmental values at each location. These extensive baseline studies often take years of work and cover issues such as biodiversity and ecosystems, surface and groundwater resources, air quality, soils, landscape, archeology and paleontology, socio-economic welfare, and the potential for acid rock drainage in the natural rocks of each new mineral deposit or historic waste or tailings facilities. The data collected often significantly advances scientific knowledge about the natural environment in the regions where we work.







**100%**

of our tailings dams  
had a safety review

We recycled

**82%**

of the process water at  
our dry climate mines

# Investing in Local Economies



We continued to make significant contributions to the local economies in every one of our host communities during 2014, 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 capacity to actively

or states where the mines are located and where significant economic and social influence exists. We defined “regional” on a mine by mine basis by assessing the specific social and economic circumstances and influences of each of the mines, whereas local reflects only expenditures in communities directly related to the mine. The national category includes all other areas within each of the countries that are excluded from either local or regional.

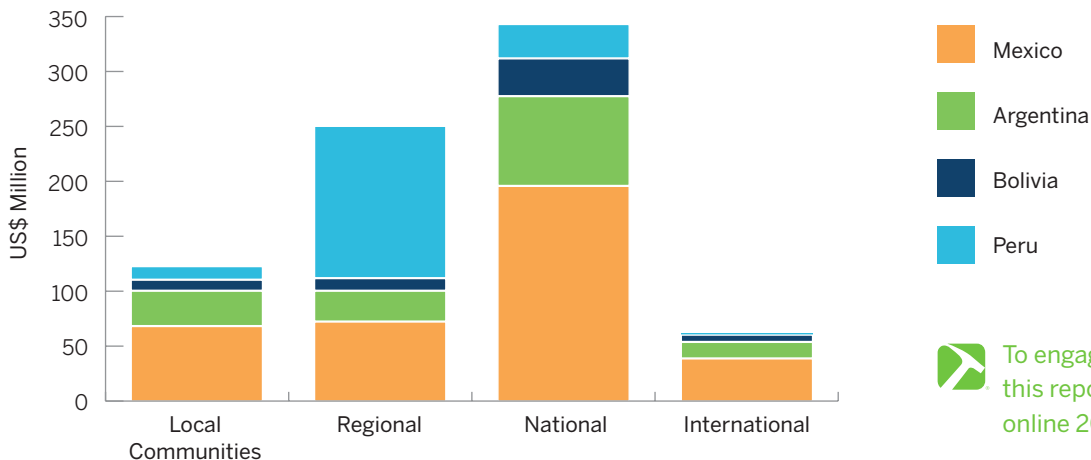
Revenues from our mining activities play a key role in driving economic development and although silver is a finite resource, we believe that our mines can create tremendous social and economic benefits that persist beyond the life of the mine.


participate in the supply chain we need for our operations, and to help them develop self-sustaining economies.

In previous years we reported our spending broken down into three geographical areas: “local”, “national”, and “international”. In 2014, we expanded the reporting to add the additional geographical area of “regional”. The introduction of this additional geographical category is intended to reflect expenditures that are outside of the local communities surrounding the mines; a larger geographical area which includes entire provinces

In the coming years, we hope to continue to strengthen the benefits to local economies by helping businesses to grow and improving the supply chain, so that an increasing proportion of our expenditures can continue to be destined to local and regional businesses. We believe that strong relationships within our communities, and helping local entrepreneurs grow along with us, will 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.

**SPENDING BY REGION**



 To engage with all the graphs in this report interactively, visit our [online 2014 Sustainability Report](#).





# Financial Strength

Pan American has returned a total of \$338 million cumulative cash to shareholders (dividends and share buy-backs) over the past five years, in addition to funding close to \$254 million in expansionary capital, all the while maintaining our industry leading liquidity position.

The past three years have been especially difficult for mining companies, with unprecedented volatility in markets that impact our business and significant changes in the regulatory and tax environments in which we operate. During this time, we have endeavored to manage the Company to ensure that we maintain sustainable economic performance and a strong financial position, which is critical to all stakeholders. Balancing the varying interests of our stakeholders during challenging economic times is no easy task. This often entails difficult decisions related to staffing levels and benefits, tough negotiations with key suppliers and service providers, constant scrutiny of our ability to return value to shareholders, and austerity measures around discretionary spending. Declining margins in our business have also meant that our contributions to tax revenues for local and national governments have decreased. While all

stakeholders have felt the effects of falling metal prices, Pan American Silver's continued financial strength and stable operational performance allows us to continue to be:

- A dependable employer that provides well-paid jobs to thousands of people, who can be confident in the Company's long term economic viability
- A reliable customer to tens of thousands of vendors and contractors, who can expect fair treatment
- A sound investment opportunity for investors, who can expect a return on the capital required to finance our business
- A trust-worthy partner to governments and local communities, capable of contributing meaningfully to the economic and social development of a region.

## \$75.8M

paid in cash dividends to our shareholders in 2014



At Pan American Silver we believe we can be a force for positive change and improve the quality of life in the communities and areas where we operate in by building on our commitments to sustainability and cultivating strong company-community relations.

**\$184.4M**

paid in wages in  
Latin America

**583,000**

hours of safety  
training

**220**

families are engaged in  
Project Access in the  
region of Potosi, Bolivia

**1,570**

students in the communities  
surrounding Huaron attended  
school through our support







Please visit our web-based  
2014 Sustainability Report at:  
[www.panamericansilver.com/  
sustainabilityreport2014](http://www.panamericansilver.com/sustainabilityreport2014)



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, Senior Manager of Corporate Affairs and Social Responsibility at: [csr@panamericansilver.com](mailto:csr@panamericansilver.com)

#### CORPORATE OFFICE - VANCOUVER

Pan American Silver Corp.  
Suite 1440 – 625 Howe Street  
Vancouver, British Columbia  
Canada, V6C 2T6  
Tel. 604-684-1175  
Fax 604-684-0147  
[info@panamericansilver.com](mailto:info@panamericansilver.com)  
[www.panamericansilver.com](http://www.panamericansilver.com)

#### ARGENTINA OFFICE

Pan American Silver Argentina  
Tel. 54-11-5533-8700  
Fax 54-11-5533-8700 ext 1110  
Country Manager – Bret Boster

#### BOLIVIA OFFICE

Pan American Silver (Bolivia) S.A.  
Tel. 59-1-2-279-69900  
Fax 59-1221-54216  
Country Manager – Luis Collarte

#### MEXICO OFFICE

Pan American Silver Mexico  
Tel. 52-618-128-0709 x 101  
Fax 52-618-128-0692 x 102  
Country Manager – Chris Warwick

#### PERU OFFICE

Pan American Silver Peru S.A.C.  
Tel. 51-1-618-9700  
Fax 51-1-618-9729  
Country Manager – Jorge Ugarte

