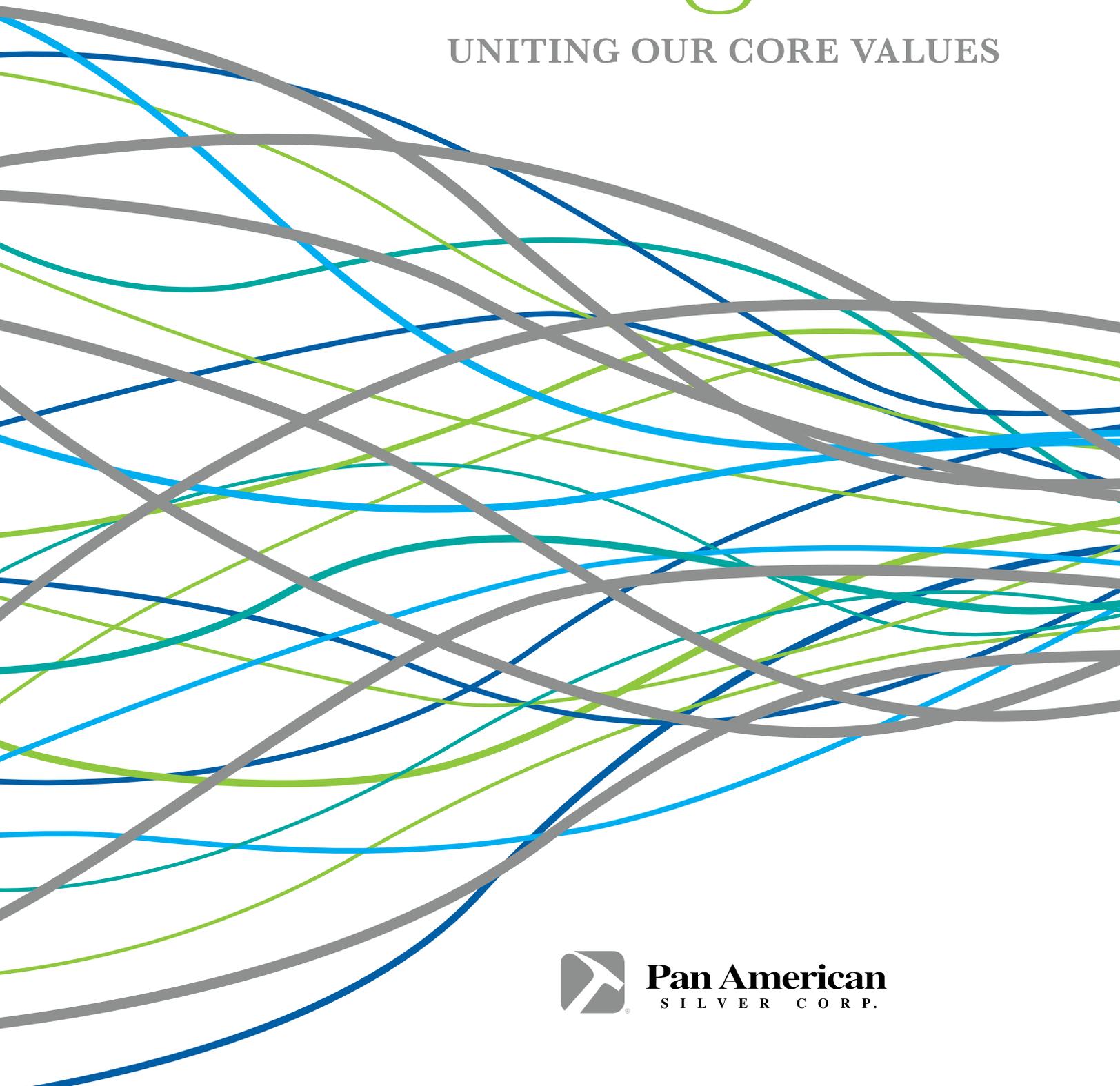


Progress

UNITING OUR CORE VALUES



Pan American
SILVER CORP.

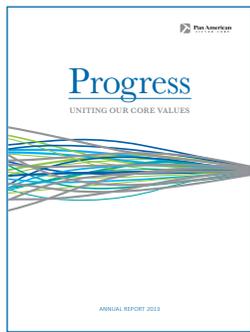
SUSTAINABILITY REPORT 2013

2013 Sustainability Report

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ANNUAL REPORT 2013

Our Annual Report covers our financial reporting obligations and provides more detail on our performance for shareholders.

Download a copy at:
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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 exploration 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 and contractors who 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 local 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 enhance the sustainability of our business year after year.

ABOUT THIS REPORT

This report is Pan American Silver's fifth annual sustainability report, prepared according to the Global Reporting Initiative (GRI) sustainability reporting framework. Our reports to date have been prepared in line with GRI's G3.1 guidelines with the most recent 2012 report achieving Application Level B. In May of 2013 GRI released its newest version of the framework, the G4 guidelines, with the intention that organizations transition to the new format by the end of 2015.

Taking a proactive approach and in order to adapt quickly to the G4 guidelines, we decided to transition our 2013 report to the new G4 format. Key corporate staff in our sustainability department received G4 GRI-certified training in 2013 and early 2014, enabling us to prepare this transitional report in

PROJECT ALPACA DE LOS ANDES, PERU

“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 immediately surrounding the mines.”



accordance with GRI G4's "Core" reporting level. Our 2013 GRI G4 reporting period dates from January 1 to December 31, 2013.

While this report is designed in line with the GRI G4 principles for defining report content and quality, we plan to continue to adjust internal reporting and disclosure systems over the course of 2014 to produce a more solid and detailed treatment of the new G4 guidelines in next year's sustainability report.

STAKEHOLDER ENGAGEMENT

Pan American Silver's stakeholder groups range from our almost 7,400 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. Examples from 2013 include direct one-on-one engagement of our local Corporate Social Responsibility (CSR) teams with local communities around our Alamo Dorado, Huaron, and Manantial Espejo mines. We also carried out broader consultation with independent survey firms in Argentina to gauge regional and national opinions on mining and sustainability-related matters. The following are key elements of our communication strategy with our local, national, and international stakeholders:

- Our environmental, social, and legal staff at each operating jurisdiction are in regular contact with local and regional governments in order to maintain compliance with reporting requirements and keep abreast of changing expectations regarding our sustainability performance.
- We maintain constant dialogue with local non-government organizations and in some cases partner with NGOs in our social and community programs.
- We participate directly in industry associations in all the countries where we operate and our managers hold governance positions in several industry groups.
- We have an open and fluid dialogue with our investors through direct communication with larger shareholders and quarterly conference calls that are accessible to all investors and the general public.
- We also gauge our sustainability performance through third party research organization reports, as well as Environmental, Social and Corporate Governance (ESG) rankings.

This wealth of information and feedback allows us to design 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.

STANDARD DISCLOSURES

Information relating to Pan American Silver's strategy and analysis regarding sustainability, our organizational profile, the scope and boundaries of this report, governance, ethics and integrity, and management approach is distributed throughout this report. As with previous years, we are reporting in line with the Mining and Metals Sector Guidance supplement, which was reorganized in 2013 by GRI in accordance with the G4 framework. At the end of this report, the GRI Content Index references the location of General Standard Disclosures, Specific Standard Disclosures, as well as the Mining and Metals sector specific disclosures.

ACCOUNTABILITY

At Pan American Silver, we adhere to the highest standards of corporate governance. We believe that good governance is essential to the performance of our company and plays a significant role in protecting the interests of all stakeholders while maximizing value. We closely follow the requirements established by the Canadian Securities Administrators and the SEC (Securities and Exchange Commission) in the United States, and believe that our current corporate governance systems meet or exceed these requirements.

EXTERNAL ASSURANCE

This report was prepared according to the highest standards and represents the information gathered from our operations as accurately as possible. We have obtained external assurance from Deloitte which is limited to our financial indicators, as detailed in our 2013 Annual Report. 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 csr@panamericansilver.com

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 checked G4 Aspects are material to our business and form the pillars of this report:

ENVIRONMENTAL

- a. Materials ✓
- b. Energy ✓
- c. Water ✓
- d. Biodiversity ✓
- e. Emissions ✓
- f. Effluents and Waste ✓
- g. Products and Services
- h. Transport ✓
- i. Overall
- j. Supplier Environmental Assessment
- k. Environmental Grievance Mechanisms ✓

LABOUR PRACTICES AND DECENT WORK

- a. Employment ✓
- b. Labour/Management Relations
- c. Occupational Health and Safety ✓
- d. Training and Education ✓
- e. Diversity and Equal Opportunity ✓
- f. Equal Remuneration for Women and Men
- g. Supplier Assessment for Labour Practices
- h. Labour Practices Grievance Mechanism

ECONOMIC

- a. Economic Performance ✓
- b. Market Presence ✓
- c. Indirect Economic Impact ✓
- d. Procurement Practices ✓

SOCIETY

- a. Local Communities ✓
- b. Anti-corruption ✓
- c. Public Policy
- d. Anti-competitive behaviour
- e. Compliance
- f. Supplier Assessment for Impacts on Society
- g. Grievance Mechanisms for Impacts on Society ✓

PRODUCT RESPONSIBILITY

- a. Customer Health and Safety
- b. Product and Service Labeling
- c. Marketing Communications ✓
- d. Customer Privacy
- e. Compliance

HUMAN RIGHTS

- a. Investment
- b. Non-Discrimination
- c. Freedom of Association and Collective Bargaining ✓
- d. Child Labour ✓
- e. Forced or Compulsory Labour ✓
- f. Security Practices
- g. Indigenous Rights Assessment
- h. Supplier Human Rights Assessment
- i. Human Rights Grievance Mechanisms

MINING AND METALS

- a. Artisanal and Small-Scale Mining ✓
- b. Resettlement ✓
- c. Closure Planning ✓
- d. Grievance Mechanisms and Procedures ✓
- e. Emergency Preparedness ✓
- f. Materials Stewardship ✓

AWARDS & RECOGNITIONS

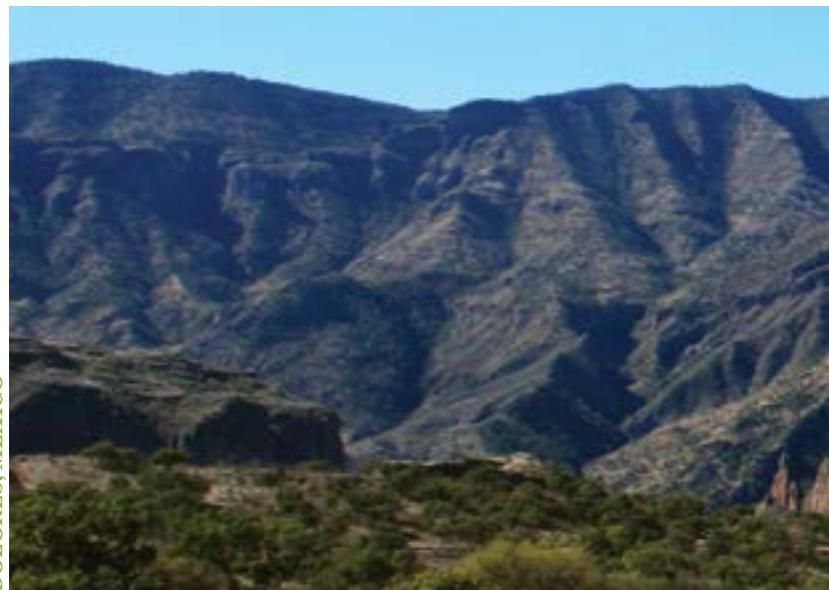
Mexico

- Alamo Dorado received its first “Clean Industry” Certification from Mexico’s PROFEPA
- La Colorada, Alamo Dorado, and Dolores received the Socially Responsible Company (ESR) award
- Dolores was recognized by the National Council for Education for Life and Work

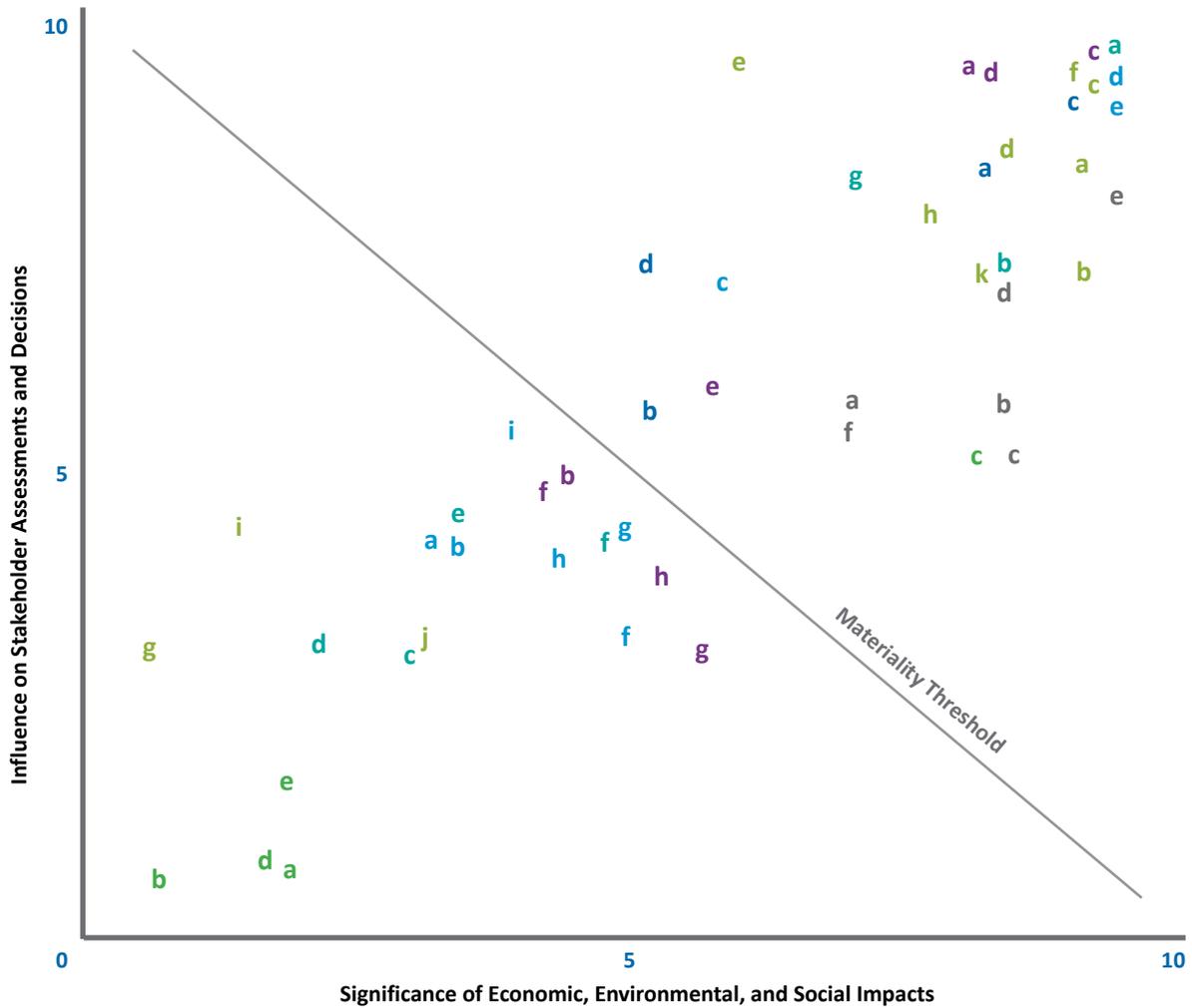
Peru

- Certification for Labour Competencies

DOLORES, MEXICO



MATERIALITY ASSESSMENT



LOCAL SUPPLY CHAIN AT DOLORES

We acquired the Dolores mine in March 2012, and since then have strengthened a local supply chain initiative in which we work with local contractors to provide them with the knowledge to grow and develop their own businesses. In a two-step process, the initiative began with workshops on costs, bidding, and business practices, to be followed with marketing and business promotion. This allows the local businesses to compete with other contractors at a regional level, and provides them with the tools necessary to build an economically sustainable future beyond the life of the Dolores mine.



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

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 cash dividends to
our shareholders

LA COLORADA, MEXICO

Alamo Dorado in Mexico achieved
ZERO
water discharge.

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

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

OUR OPERATIONS



Chairman's Message

The year 2013 was another year of progress for Pan American Silver, especially in the sustainable development sphere where we demonstrated our commitment to community engagement, health, safety and environmental excellence, and fair-minded, transparent and collaborative management practices.

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

“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.”

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.

Pan American Silver has grown into a world leading silver mining company. We now work in five countries at fourteen locations (including our corporate offices). We employ more than seven thousand people including contractors. We provide indirect employment for thousands more who work for our service and



ROSS BEATY, *Chairman*



material suppliers. And we support communities with tens of thousands who, in some cases, live in impoverished areas with no other regional economic driver.

We “give back” by paying hundreds of millions of dollars in taxes and royalties to local, regional and national governments and this drives investment in health, education and community infrastructure. We also invest millions of dollars each year to directly support local education, health and infrastructure development. We do this because we believe it supports our ability to operate profitably over the long term. It also means that when a mine inevitably reaches the end of its life, we will leave behind a legacy that really does support sustainable development: a real improvement in the lives of the people in areas where we work – this manifests itself in better trained people living around our operations, better health facilities, better education, better services availability, better road and electricity facilities, and so forth.

A healthy environment, a healthy workplace and a healthy community where we operate all help build Pan American Silver

into a better company. Our success in achieving this will make us a more profitable company too – not just in dollar terms, but in human terms and in reputation, something so easy to lose and so hard to achieve. We must remember that our actions speak louder than words, and so we will strive to put into practice the lofty words presented in this report.

The hallmark of a great company is a company that rewards its shareholders BECAUSE it also looks after its employees, contractors, environment, communities and countries where it works. I am so very proud of our team and our achievements in the spheres of community engagement, sustainable development and worker safety, but we have to continually strive to improve the status quo. If we succeed at this we will maintain our stellar reputation and continue to be a company that new investors will want to buy, new employees will want to work for and people in new locations will welcome us to work in.

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



President's Message

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.

We learned that the relationships of mutual respect that we have built over many years with our employees, contractors, suppliers and service providers, local communities, governments, non-government organizations and other stakeholders, were able to provide the foundation for a realistic assessment of our sustainability investments. This process increased the commitment from all stakeholders and resulted in a true optimization of our investments while improving each program's alignment with our common goal of sustainable development.

Our efforts over the year brought rewards in terms of record safety performance, continued economic strength, a healthy balance sheet, and progress on community development and environmental performance.

I'm proud to share with you Pan American Silver's fifth annual Sustainability Report where we have taken a proactive step of reporting according to the recently released GRI G4 version reporting guidelines. The new guidelines provide an improved and streamlined framework for communicating our sustainability achievements and results.

SAFETY FIRST

Our 2013 safety record was exceptional even when compared to our record-breaking performance in 2012. Our lost time injury frequency rate decreased by 15% from the previous year, and our lost time injury severity rate decreased 47%. The efforts and leadership of our managers and supervisors, as well as the dedication of our workers at all of our operations have been truly remarkable, as demonstrated by the continuous improvement of our health and safety practices company-wide. Sadly, despite our reduced overall accident frequency, we had one fatal accident at our Huaron mine in Peru in 2013, which occurred due to a rockfall while installing ground support underground. My deepest condolences go out to our employee's family and loved ones. Our team investigated this incident in detail and is conducting training on improved procedures to ensure this type of accident is not repeated.

SOCIAL RESPONSIBILITY

We continued to develop and strengthen our sustainable development programs at all communities near our operations where we work to improve economic opportunities, infrastructure, health and hygiene, nutrition, and education.



GEOFF BURNS, *President & CEO*



Our latest sustainable development project is at our newest operation, the Dolores mine located in the State of Chihuahua, Mexico, which we acquired in 2012. There, we are currently working with local contractors in an effort to provide them with the tools and training necessary to improve their businesses so that they can compete in the regional market and continue to thrive long after the mine is decommissioned. At Dolores, a significant percentage of total expenditures were spent in businesses from the Ejido Huizopa. By working with them to improve their skills we are helping improve their chances of long-term success and fostering economic growth in the Huizopa community.

The Alpaca de los Andes project and its brand UQLLU had another outstanding year. The brand consolidated its position in North American markets where the luxurious baby alpaca fiber scarves were very well received and 2013 produced record year for sales for UQLLU. We continue our commitment to the artisans involved in the project that is strengthening the relationships we've developed over the years with the communities of Huaron and Morococha in Peru. I look forward to seeing the growing success of this project during 2014, as the artisans of UQLLU continue their craft and further expand the brand into home décor products.

ENVIRONMENTAL STEWARDSHIP

While fostering sustainable development initiatives and cost reduction initiatives, we also registered a number of successes in our management of the environmental aspects of our mining

operations. At the corporate level the Board and I approved a revision to Pan American Silver's Environmental Policy which continues to guide our strategy of responsible mining. We completed detailed environmental audits of all our mines under a better and more rigorous system and the response from our mining operations was extremely positive with many improvements and more efficient procedures implemented.

The "Clean Industry" certification of our Alamo Dorado mine was awarded by the Mexican government, making Pan American Silver the largest primary silver producer in the country with all its operations certified under the program. Alamo Dorado also took additional steps this year to improve its already best-practice water recycling procedures to become a zero discharge mine – an example of industry leading water conservation.

IN SUMMARY

There is no question that 2013 was a challenging year, but through innovation and dedication Pan American Silver was again able to find opportunities to strengthen our business and progress in our vision of sustainable development. We worked hard throughout the year to improve operational and logistical efficiencies, and I am proud to say that the effort invested by our close to 7,400 employees was outstanding. 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.

“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.”



The Year in Review

In closing last year's "The Year in Review (2012)" report, I mentioned we were in a very good position to adequately address the challenges we faced and end 2013 in even better shape than we did in 2012. I am extremely pleased to report that we have not only accomplished that aim, but also aggressively addressed unexpected challenges brought about by the rapid fall in precious metals prices early in 2013 to levels well below what we had expected.

For the second consecutive year, our greatest accomplishment during 2013 was exceeding our 2012's record safety performance, reducing the Corporate wide frequency of lost time accidents

to less than 1 per million work hours. Even more pleasing is the slashing of the Corporate wide severity of accidents to 329 days of lost work time due to accidents per million work hours, shattering the 2012 record of 616. Our collective efforts towards instilling greater safety awareness at each of our work places is driving improved safety performances and simply making our demanding jobs safer. We regrettably did not achieve our goal of working the entire year without the occurrence of a fatal accident as one of our lead miners was fatally injured by a rock fall underground at the Huaron mine in Peru during March 2013. We provided support and counselling to the family affected by this tragic accident at our mine. In addition, our team of highly qualified safety professionals

“For the second consecutive year, our greatest accomplishment during 2013 was exceeding our 2012's record safety performance.”

conducted an in-depth investigation to determine the causes of, and the factors which contributed to, this accident. A description of the accident and list of recommendations to prevent a reoccurrence was prepared and distributed not only to our Management team at Huaron, but throughout the Company's safety teams. We are determined to learn

from this accident in order to prevent similar events from ever recurring in the future anywhere within our organization.

Furthermore, 2013 marked our attempt to further highlight Pan American Silver's sincere care for the environment surrounding the mines we operate by

registering zero significant environmental incidents (SEIs), a new internally developed performance metric in its first year of implementation. This was a remarkable accomplishment and required tremendous focus of all our operating and project teams who were clearly supported by proficient environmental groups engaged at each of our sites.

Pan American Silver enjoyed its greatest production year ever in 2013, achieving annual production records of nearly 26 million ounces of silver and nearly 150 thousand ounces of gold right on internal targets we had established at the start of the year. In addition, we exceeded all our base metal production targets, in particular copper, which was 40% above our target. Incredibly,



STEVE BUSBY, *Chief Operating Officer*



these production results were delivered in the face of a strong unexpected collapse of precious metals prices in early 2013. Pan American Silver's team stepped-up its efforts to reduce costs and improve productivity ending the year \$31 million (-5%) below the targeted spending for direct site operating costs and sustaining capital, largely contributing to the \$10.81 cost per silver ounce operating cost metric which was well below the targets originally established.

Our project and technical services teams not only made excellent advances on the significant leach pad construction efforts at Dolores, but they've defined two excellent organic growth projects that could deliver significant value to Pan American Silver in the years to come. Advances were made on defining a "pulp agglomeration" project at Dolores that, coupled with a powerline connection and underground mine development, can enhance the precious metal recovery rates on higher grade ores, potentially increasing profitability over the remaining long life at Dolores. The project development efforts for this potential expansion at the Dolores mine continue, anticipating release of a preliminary economic assessment in mid-2014. Meanwhile, exceptional exploration success over the past few years has grown our silver ore reserve at the La Colorada mine into the largest of the Company's seven operating mines, enabling definition of an exceptional organic expansion project with considerable economic potential. The expansion Project was unanimously approved by our Board of Directors during 2013, defining a transformation of the La Colorada mine over the next three years into becoming our largest silver producer.

With the incredible leadership of our Country Managers and their professional teams, our Company remains steadfastly focused on safely addressing the seemingly never-ending risks and challenges that face our business, all the while complying with our annual production and cost targets. Pan American Silver's mines are vital to building prosperity for all the communities surrounding our operations in addition to our employees, the governments, suppliers and of course our shareholders without which we would not exist. These positive relationships developed over years of efforts are the foundation to the valuable silver mining business that Pan American Silver is engaged in.

I'd like to extend my personal gratitude to all of our dedicated employees and contractors for all their safety focused efforts that led to new Company production records, while simultaneously reducing our base operating costs by decisively responding to the unexpected decline in precious metal prices during 2013. These efforts have positioned Pan American Silver well to possibly establish yet another record-breaking year of precious metal production during 2014, while advancing extraordinary value-enhancing organic growth projects that can lead to further production records beyond 2014. I'd also like to thank Matt Andrews and Mónica Moretto for their continued quest to improve our Corporate Social Responsibility engagement process, which in my opinion has positioned Pan American Silver as the silver industry's global CSR leader.

“We had zero Significant Environmental Incidents (SEIs), a new internally developed performance metric in its first year of implementation.”



Financial Review

FINANCIAL STRENGTH

2013 was an exceptionally challenging year for all mining industry participants. We experienced extremely volatile market conditions and significant changes to several regulatory and tax environments in which we operate. The importance and value of Pan American Silver's financial strength and stable operational performance became especially evident in such a turbulent year for our industry. As a Company, our ability to successfully navigate and respond to such market conditions is a testament to our belief that a cornerstone of any sustainable company is the achievement of robust, reliable economic performance, even in a cyclical and volatile industry like ours. Pan American Silver remains in sound financial condition and continues to generate positive economic returns for all stakeholders, which demonstrates that we are:

- **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.

In 2013 we did not receive financial assistance from any government organization.

REVENUE

Revenue was \$824.5 million in 2013, a decrease of 11% over 2012 revenue, driven primarily by lower realized metal prices (other than lead), partially offset by higher quantities of silver and base metals sold. Approximately 85% of the Company's revenue was attributable to the sale of silver and gold in 2013.

ADJUSTED EARNINGS

Adjusted earnings in 2013 declined to negative \$49.5 million from \$166.8 million generated in 2012. Profitability was significantly impacted by the steep drop in precious metal prices, which was reflected in our gross margin (mine operating earnings/revenue) falling to 16% in 2013 from 33% in the previous year.

OPERATING CASH FLOW AND WORKING CAPITAL POSITION

Cash flow from operations in 2013 was \$119.6 million compared to \$193.3 million in 2012. Our operating cash flow in 2013 was not sufficient to fund all of the Company's capital programs of \$159.4 million, which required us to drawdown on our large treasury balances. The Company remained in a very strong financial position at the end of 2013 with cash and short term investment balances of \$422.7 million and a working capital position of \$693.6 million at December 31, 2013, a decrease of \$85.1 million from a year ago.

RETURN OF VALUE TO SHAREHOLDERS

Pan American Silver's profitable performance and robust financial position allowed for the continued return of value to shareholders in 2013 by way of \$75.8 million in dividend payments and \$6.7 million of common share repurchases.

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

2013 HIGHLIGHTS

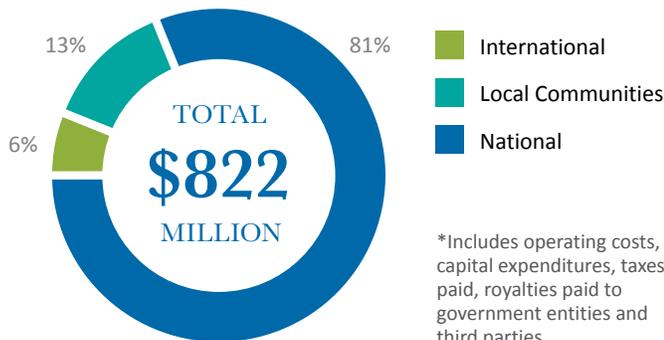


ROB DOYLE, *Chief Financial Officer*



within the same countries where the operations are located, and 13% of the expenditures were spent in local communities immediately 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.

EXPENDITURES MADE BY OUR OPERATING UNITS*



*Includes operating costs, capital expenditures, taxes paid, royalties paid to government entities and third parties.

DIRECT ECONOMIC CONTRIBUTIONS

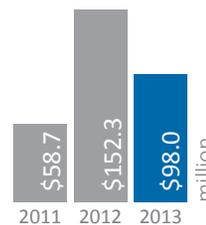
EMPLOYEES & CONTRACTORS



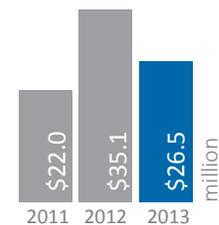
PAID IN WAGES*



PAID IN INCOME TAXES



PAID IN GOVERNMENT ROYALTIES



* In Mexico, Peru, Bolivia and Argentina for employees



“We work closely with local communities to support their ability to provide the supply chain we need for our operations, and to help them develop self-sustaining economies.”

Our People

“With feedback from our supervisors, labour unions, and other employees, we have improved conditions at each of our sites.”



OPERATIONS TEAM, DOLORES MINE, MEXICO



Like any company, Pan American Silver's success depends on the success of its people. In the mining industry, this means creating a safe and productive work environment, where our employees are motivated and engaged in the continuous activities of exploring, developing, and operating our mines.

Our Human Resources strategy has four goals:

- ensuring a safe, efficient and productive workplace through the effective selection and development of key leaders,
- providing fair and competitive wages,
- ensuring that work and camp conditions provide workers with the food, rest, and recreation they need, and
- creating a motivating workplace for all employees.

LEADERSHIP VALUES

As much as we need people to run our business, we also need extraordinary leadership. Our leaders must have the knowledge and experience to oversee our core activities: exploration, construction, project planning, production management, safety program management, and environmental and social management. These leaders not only face the challenges of managing complex mining operations in harsh environments, they also need to manage day to day relationships with communities, local governments and other key stakeholders.



“We use locally based and certified suppliers for most of the chemical and fuel inputs to our operations.”

When selecting, developing, and promoting leaders in our company, we emphasize the following leadership values:

- Openness and respect
- Honesty and integrity
- Commitment to quality, efficiency, and productivity
- Commitment to safety and the environment

We have found that each of our national and local cultures recognize these values, and the values support a vision of leadership to which we can all aspire, from the CEO to the front-line supervisor.

MINING IS A TOUGH BUSINESS, BUT OUR PEOPLE ARE JUST AS TOUGH

Our employees face unique conditions in each of our mines. The remote locations of our activities require our people to travel up to 12 hours to reach mining, project or exploration sites. Each of our mine workers and leaders can spend two weeks or more away from their families during work rotation. Harsh conditions include extreme cold, heat, wind, or high altitude. Many of our workers come from communities surrounding the sites, and are therefore accustomed to the effects of altitude and weather conditions, while others come from farther away or even other countries, requiring them to adapt to new challenges and conditions.

At our operations, we strive to provide everyone with excellent working conditions, with a focus on housing, camp activities,

and food facilities. With feedback from our supervisors, labour unions, and other employees, we have improved conditions at each of our sites. These improvements benefit everyone, including our contract employees and local suppliers. We had no strikes or lock-outs exceeding one week’s duration at any of our operations in 2013.

CHALLENGES TO BUILDING TEAMS IN THE FUTURE

It is not easy to build a project or operating team in the mining industry today. However, Pan American Silver has met this challenge, and continues to build effective project and mine operating teams. In the future, we expect our success will depend on the following:

- Finding the right talent: The mining industry has experienced a critical shortage of technical professionals for over five years, and the forecasted shortage will become more acute. We continue to support specific programs at our mines as well as partnerships with educational institutions and governments to mitigate this reality.
- Providing opportunities for the members of our communities: In many of our communities, education and employment has met the needs of traditional mining methods or artisanal industries. While many of our programs support these traditional roles, we also allocate resources to increasing education and providing technical training, enabling our community members to participate in the technology-intensive future of mining.

- Working across diverse cultures: Culture has sometimes been defined as “the way work gets done,” in either a society or a work environment. We recognize that our strength lies in harnessing the best from each culture where we operate. This requires leaders with an open mind, capable of identifying cultural conflicts and able to engage in dialogue to resolve conflicts and differences.
- Providing fair, competitive, and motivating compensation and benefits: In each of our operating countries, mining is among the highest paying industries. We have to remain competitive in the labour market, but we also have to control our costs. Future success will require a balance of compensation and benefits which can address our employee’s needs, and enhance our productivity, retention, and employee satisfaction.

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

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.

DIVERSITY & INCLUSION

We embrace the diversity of our workforce and the communities where we operate. For Pan American Silver, diversity includes but is not limited to race, age, gender, culture, socio-economic background, religious beliefs, and sexual orientation. We strive to achieve an inclusive work environment where all are treated fairly and respectfully, have equal access to resources and opportunities, and can contribute to the success of the organization.

Through our policies and practices, we focus on promoting participation of diverse groups in our consultation processes, providing opportunities to work with our company as employees, contractors or suppliers, or participate in our numerous social programs.



Local Communities

4,600 consultations took place at local healthcare facilities where men, women, and children received medical attention

2,073 students in Peru received improved education through our support programs



BASEBALL GAME AT ARROYO AMPLIO, MEXICO



Pan American Silver values the individuality of each community around its operations. We base our community relations work on universal principles of respect for the local cultures and the long-term sustainability of our host communities. We support programs that are born out of the feedback gathered by each of our local offices that focus mainly on Health, Nutrition, Education, Infrastructure, Environment, and Alternative Economic Development.

Social development is a process focused on creating community well-being. Pan American Silver believes that community well-being 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. Such a strategy aims to create employment and long-term economic activities for the local community that will continue well beyond the life of our mines.

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 CSR guiding principles:

- We believe in developing “good neighbour” relationships that are based on open and honest 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 put a special focus on the basic needs and development of children, women and the elderly in the communities near our operations
- 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 labour and forced labour 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

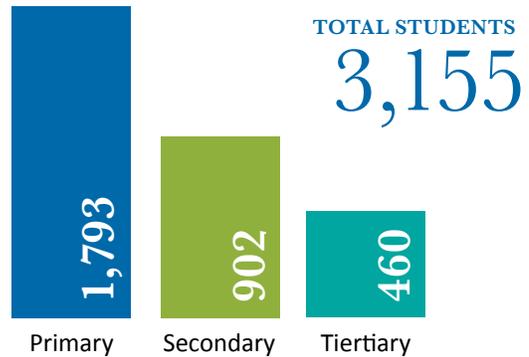
FOCUS AREAS

Pan American supports and carries out a series of programs with the purpose of improving health care and education at our host communities. These campaigns are integral parts of our Social Responsibility efforts and in many instances become the main access to these essential services for the communities around our operations.

HEALTH CARE

Through our medical assistance programs in 2013, 4,600 consultations took place in the communities located around our seven operations, receiving primary and/or specialized medical care.

STUDENTS IN THE EDUCATION PROGRAMS WE SUPPORT



In Bolivia, we carried out our first dental health campaign geared towards the children of the San Vicente town and the surrounding communities, who received education on daily dental hygiene. In total, 637 children received training, as well as dental hygiene kits and fluoride treatments to prevent cavities.

This program was organized in conjunction with a “clean habits” campaign where children were taught the importance of washing their hands before and after meals to improve hygiene. All of the children in San Vicente and 11 nearby communities were tested, and if necessary, treated for parasites in line with UNICEF recommendations. A similar campaign is organized annually in the communities around our Peruvian operations.

In Peru, the health programs have also focused on women’s health. Three hundred and fifty local women participated in cancer screening campaigns and treatment was arranged for 4 women post screening.

EDUCATION

We believe that education is the base of any sustainable development plan, so we support education programs that contribute to the future of our communities. We invest in education by providing logistic and economic support to local schools, complementing teachers’ wages, giving additional teacher training, and providing school supplies and uniforms.

Students from remote towns are often offered scholarships for careers for which there are no employment opportunities in their hometown, and that do not contribute to the long term sustainable growth of their communities. We also promote career choice for young adults and allow them to consider scholarships for careers that are relevant to their own local areas. We employ psychologists and career advisors who engage children and young adults to consider local employment alternatives once they finish their secondary studies. Through this process they are able to choose professions of high local demand, which not only provide local employment opportunities in the future, but also contribute to their community’s local economy.

SUSTAINABLE DEVELOPMENT PROJECT UPDATES

BOLIVIA

Project Access

During 2012 and 2013, Gary Hannan, our Country Manager in Bolivia lead a one-of-a-kind initiative to benefit 11 communities in our area of influence in the region of Potosi through a sustainable development program that was jointly developed by the Department of Foreign Affairs, Trade and Development Canada (formerly CIDA) and Pan American Silver Bolivia. "Project Access" is a three year program, which will improve the lives of 350 families dedicated to llama breeding. The program is teaching local ranchers the latest technology in breeding practices and entrepreneurial skills, all under the supervision of the Society for Cooperation in International Development (SOCODEVI), an NGO based in Canada. With the support of PASBOL's CSR team, the program also focuses on providing equal opportunities for women in this activity by aiming to increase the sale of llama meat in local markets, as well as the development of new brands and businesses to commercialize llama products in provincial and national markets.

"When we proposed Project Access to CIDA, some people asked us why we were going to such great lengths to develop sustainable economic alternatives, given what we already do on a daily basis in areas like education, health, local procurement and job creation. The answer is easy for us: we do this because we really believe that communities that are sustainable in the long term are rooted in solid values established in the past. Sustainable communities are part of our business and benefit all our stakeholders."

– Gary Hannan, Country Manager, Bolivia

PARTNERSHIPS & MEMBERSHIPS

Canada and USA

- Women in Mining
- BC HR Task Force
- The Silver Institute
- Prospectors and Developers Association of Canada (PDAC)
- Museum of Anthropology, University of British Columbia
- Northwest Mining Association

- Engineers Without Borders

Peru

- Caritas Peru
- Patronato Plata del Peru
- Senati
- Sociedad de Minería, Petróleo y Energía
- EITI Peru

Mexico

- Cámara Minera de México (CAMIMEX)

Argentina

- Caritas Argentina
- Grameen Bank
- Fundación Agencia de Desarrollo de Gobernador Gregores
- University of San Martin
- Green Cross

Bolivia

- Society for Cooperation in International Development (SOCODEVI)
- Department of Foreign Affairs, Trade and Development Canada (formerly CIDA)
- Association of Camelid Producers in San Vicente

UQLLU ARTISANS IN PERU



The “Project Access” had an excellent start in 2013, founded on the work previously done by our CSR team in Bolivia. The project has achieved the following results to date:

- Around 350 families participate in the project, all of whom live in communities around our San Vicente mine
- Training was provided to participants in agricultural procedures that will improve the quality of fodder and nutrition for llamas during the tough winter months. Fodder is in some cases grown in areas located above 5,000 metres in altitude and the results have been excellent even in such extreme conditions
- Training community leaders in animal handling and vaccination process
- Workshops on “Equal participation of women and men in Project Access” and “Protection of water sources”

Pan American Silver also undertook a nutrition program and trained children and families in vegetable production. In order to take advantage of the improved conditions of the soil, our local CSR team is teaching people the importance of growing different produce that was not typically part of their diet.

COMMITMENT TO SILVERSMITH JUAN CARLOS PALLAROLS

When world-renowned Argentinean silversmith Juan Carlos Pallarols was asked to handcraft the silver chalice for Pope Francis, Pan American donated an ingot of silver for the task. The silver, from our Manantial Espejo mine in Argentina, is being used to manufacture the chalice, a special pen, and a cross.

MOROCOCHA RELOCATION

Mining is one of the founding activities of the town of Morococha, and over time its inhabitants have thrived on it. Chinalco’s Toromocho copper project, adjacent to our Morococha mine, has been in the process of building a large mine that required the relocation of the town of Morococha. Pan American Silver worked closely with Chinalco and the community of Morococha to ensure the successful relocation of many of its workers and their families. The process has been extremely successful with over 280 new homes constructed at a nearby site, forming the new community of Carhuacoto.

During the last part of 2013, the project also started sponsoring the construction of greenhouses in each community that will complement and enhance the nutrition of children attending school. Our aim is to improve and expand this program to help not only children but the diet of all the people in the local communities.

PERU

UQLLU - Alpaca de los Andes

UQLLU is the brand of a unique Social Responsibility enterprise that started 10 years ago as Alpaca de los Andes and is part of our far-reaching CSR program. Fifty artisan women from communities near our Peruvian mines are provided with the equipment, tools, supplies, training, support and safe work environment needed to create woven handmade goods made from the finest Alpaca fibers. Artisans receive a fair price for their creations, far above those of the local competitors, thus



GEOFF BURNS, ROSS BEATY AND JUAN CARLOS PALLAROLS MAKING THE CHALICE

providing an income for their families and benefiting their communities.

This is UQLLU's second year of promotion in North America and our efforts are starting to pay off. The brand participated in a fair in New York and 6 local fairs in Vancouver. The program in North America, led by Creative Director and Designer, Giovanni Amenta, included a media campaign in 2013 with excellent results that were reflected in record annual sales.

What's next for UQLLU? In 2014, the objective is to increase sales and incorporate more artisans to the team, building the foundations for long-term economic and social sustainability. A Canadian promotion campaign and the brand participation in different fairs in Canada are also scheduled for this year.

Native Potatoes Project

The Native Potatoes Project started two years ago in partnership with Caritas del Peru NGO, with the idea to help 140 families living under the poverty line in the small town of San Francisco de Mosca, in the Pasco region, where our Huaron mine is located. The area was historically renowned for the quality and variety of native potatoes produced there.

In the past 10 years, Peru has undergone a "culinary revolution", putting Lima in the spotlight and raising the profile of Peruvian Cuisine on the international stage. This phenomenon has greatly increased the need for local produce, such as ingredients included in traditional recipes many of which are produced in the Andean communities. The Potato Project was designed to leverage this demand and help members of the San Francisco de Mosca community to improve the quality and quantity of their local produce.

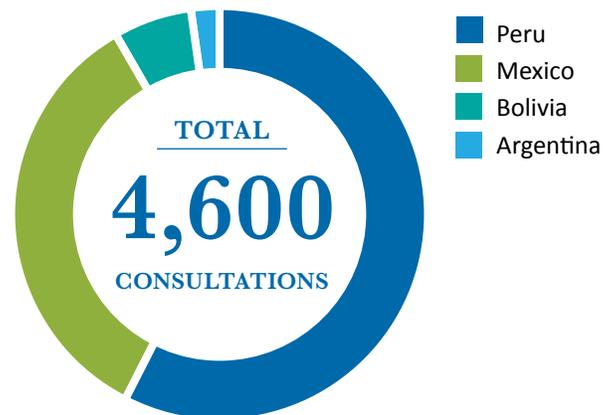
The project has proven successful so far and in 2013 it advanced with training in farming techniques, marketing and brand development. Pan American Silver's involvement in the project is scheduled to end in 2014 after providing members of the San Francisco de Mosca community with a sustainable business that can continue to grow in the future for the long-term benefit of future generations.

ARGENTINA

A key factor in our sustainable development program in Santa Cruz is the "Fundación Agencia de Desarrollo de Gobernador Gregores". Since we created the agency back in 2007, Pan American Silver Argentina made voluntary royalty-like payments to be managed by the Agency. These funds are administered by a committee whose members include authorities from the municipality, representatives of Gobernador Gregores' agricultural sector. Funds are generally used for micro-loans to entrepreneurs and small infrastructure projects. In 2013 the Agency held funds of CDN \$1.4 million and actively financed the following projects:

- Support to producers and Municipality to finish Gobernador Gregores slaughter house
- Improve loans already granted and grant new ones to work on a proper refrigerated transport system for meat projects

HEALTHCARE PROVIDED



- A pig farm, a forestry project, and the purchase of veterinary equipment
- Support for productive micro-enterprises related to domestic greenhouses for vegetables and strawberries for both self-consumption and commercialization

Due to changes in the royalty payment system in Santa Cruz, Pan American Silver Argentina no longer contributes in the form of royalties to the Agency, however some direct lump-sum funding is anticipated for 2014.

MEXICO

After careful evaluation of our CSR programs and greenhouse project at Alamo Dorado in 2013, our local CSR team studied viable alternative activities in the area and decided to refocus technical and economic support towards a ranching program that is more suitable to the culture of the local population and is already part of their economy. This project will develop into a meat production business that will bring economic growth to the families in the area. Discussions have started with the local government, which has already invested in the construction of small dams to collect water for the cattle and a genetic assessment of the local breeds.

CSR GRIEVANCE MECHANISMS

We recognize that the CSR department is in most cases, the first stop for requests, complaints and comments from our communities, governments and other significant groups of interest. Our team of professionals specializes in receiving these comments, and when applicable, submitting them to the corresponding department for follow up. It is our commitment for 2014 to review and update these processes across all of our operations to create a unified system that will improve results, maximizing responses and improving the internal reporting on grievances.

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

Corporate Giving Committee

In addition to the programs we implement in the countries where we operate mines, Pan American Silver also supports non-profit organizations providing healthcare, shelter, and education to children, the disadvantaged or underserved communities in the Vancouver area. Our support is given in the form of cash and material donations, fund raising, and employee participation. There are so many deserving organizations that need our help, and deciding which organization to help is a difficult task. We tend to form ongoing relationships with those causes that most align with our core values, and where our help can make a meaningful difference. For example, the thank you letters sent to us by the children of Florence Nightingale Elementary School for our support of the International Children's Festival this year were very gratifying, and received more employee comments than any other activity. They are definitely on our support list again this year.

At least one of our employees personally champions each of the causes we support. This approach has resulted in a more meaningful engagement with the organizations in our community and has further strengthened our commitment to help. Employee participation in our charitable giving activities has never been greater. Our fundraising initiatives have become increasingly creative, ranging from making iced tea, cookies, and cakes for sale, raffling off art work, wine, and home cooked dinners, sleeping outside overnight in the cold, running, rappelling down tall buildings, and organizing clothing and toiletry collection drives. Our employees' engagement has spread to our friends and family, ever widening awareness of the issues we face in society today.

During the past year, Pan American Silver and its employees have contributed to a number of causes, including:

BC LIONS SOCIETY FOR CHILDREN WITH DISABILITIES

The BC Lions Society is known for their Easter Seals programs that provide specialized services and facilities for children with disabilities to develop their self-esteem, self-confidence, and sense of independence. Our employees form teams to participate in the Drop Zone and the 24-Hour Relay events to connect with some of the campers and to raise funds to help send children to the Easter Seals camps.

CANADIAN BREAST CANCER FOUNDATION

Pan American Silver and its employees make cash donations, fundraise, and form a team for the CBCF's Run for the Cure. This annual event raises funds for breast cancer research, education, and advocacy. These vital research, education, and health promotion programs have led to progress in breast cancer prevention, diagnosis, treatment, and care.

COVENANT HOUSE YOUTH SHELTER

Covenant House, in partnership with the community and organizations like Pan American Silver, helps more than 1,500 street youth between the ages of 16 and 22 seeking shelter and a brighter future. These adolescents have fled physical, emotional and/or sexual abuse, have been forced from their homes, and/or have aged out of foster care. Pan American Silver and its employees participate in clothing drives, the Sleep Out: Executive Edition event, and provide cash donations to assist the homeless, runaway, and at-risk young people with short-term residential care at their crisis shelter.

UBC FARM

Surrounded by a 90-year old coastal hemlock forest, the UBC Farm encompasses 24 hectares of cultivated field areas, hedgerows, orchards, and successional forest stands on UBC's South Campus. This diverse landscape provides a valuable habitat for a range of animal and plant species. The gently sloping southern aspect of the site and moderate maritime climate allow for the cultivation of 250 varieties of annual and perennial crops. In this idyllic setting, the Centre for Sustainable Food Systems at UBC Farm provides students, faculty and the broader community opportunities to explore and experience

VANCOUVER CORPORATE OFFICE & FAMILIES VISIT UBC FARM



new paradigms for sustainable and healthy communities and economies.

The UBC Farm engages learners of all ages, from preschool-aged children through to faculty researchers and is home to a host of research projects and university courses. Community involvement is integrated through Children's Learning Garden initiatives, Aboriginal programming, farm markets, and volunteer programs.

The main source of revenue at the UBC Farm is from the sale of produce grown at the Farm itself. The sale of this produce provides Vancouverites with a unique and educational opportunity to purchase local, organic, and sustainable food at a full scale working farm. In 2013, Pan American Silver provided a cash donation for the purchase of a tractor which will be put to work in the planting, care, and harvesting of produce.

VANCOUVER INTERNATIONAL CHILDREN'S FESTIVAL

The Vancouver International Children's Festival's Adopt a Class program helps provide lifetime-lasting memories to the most vulnerable children attending some of the more than 75 inner city schools across metro Vancouver. Pan American

Silver helped children from low-income neighborhoods attend the Vancouver Children's Festival. Our assistance provided transport, tickets, and activities for a busload of underprivileged children who otherwise would not have been able to attend.

GREATER VANCOUVER FOOD BANK SOCIETY

The Greater Vancouver Food Bank Society is a non-profit organization with a mission to empower people to nourish themselves by providing access to healthy food, education, and training. The Greater Vancouver Food Bank provides assistance to over 28,000 people per week through 15 food depots and over 100 community agencies. Pan American Silver and its employees support this cause through cash and food donations.

At Pan American Silver we are committed to supporting the communities where we live and work by partnering with organizations that reflect our values of sustainability, education, and health.

PAMELA DE MARK, *Director, Resources and Chair of CGC*



Dolores Mine, Mexico

130 families

live in Arroyo Amplio in
the Ejido Huizopa

Dolores received the
**2013 Chairman's
Safety Award**

\$3.3 million

invested in CSR and social
infrastructure programs in 2013



The Dolores mine is centered around a silver-gold deposit located in the state of Chihuahua in northern Mexico and became a Pan American Silver operation almost two years ago as part of the acquisition of Minefinders Corp. It is currently our largest open pit operation, and is expected to become one of our longest life, lowest cost mines once operational efficiencies are maximized and several expansion projects are evaluated. Not all of our efforts have been focused on improving operating performance, in fact, over the last two years Dolores has also been the center of some of our most innovative social development initiatives. While we continue to develop stronger relationships with employees, contractors and the community,

we've initiated and funded several CSR programs and initiatives aimed at improving the social infrastructure and human capital of the people of the Ejido Huizopa, home to the town of Arroyo Amplio and the Dolores mine. In Mexican system of government, an ejido is an area of communal land used for agriculture, on which community members individually possess and farm a specific parcel. Ejidatarios are the members of that community. With over 130 families living in the Ejido, we share a common goal with community leaders in building an economically sustainable future for coming generations. This feature describes the amazing work that we have accomplished at Dolores, and our vision for the future.

The relationships that have developed with the Ejido Huizopa over the years, and Pan American Silver's drive to strengthen these ties, are certainly the key to our success. As such, we take our CSR department's work very seriously and continue to advance diligently on the various initiatives that include infrastructure, education, health and hygiene, and economic and social development projects despite the adverse developments the mining industry has faced over the past year.

Compañía Minera Dolores (CMD) is a company that distinguishes itself for its strong commitment to upholding environmental stewardship, social responsibility, and the safety of its workers, while performing exploration and mineral extraction.

SUSTAINABLE DEVELOPMENT INITIATIVES THROUGH THE LOCAL SUPPLY CHAIN

Our hard work has been recognized by government entities, and Dolores has received the Socially Responsible Company (ESR) award as a socially responsible company, for the past five years, awarded by the Mexican Center for Philanthropy (CEMEFI). In order to accomplish this feat, we have focused our best efforts in supporting sustainable development at the neighboring communities, providing Ejido members with important opportunities for personal and professional growth.

We have proudly helped the Ejido Huizopa develop and form 14 new companies that provide economic opportunities to those not directly employed by the mine. The services that these new companies provide include urban construction, road construction, machinery rental, and labour. We are primarily focusing our attention and expertise in training and growing

the local supply chain, specifically in areas such as strategic alignment, legal issues, proper conflict resolution techniques, financial issues, budget and cost control, and industrial safety. The objective is that these companies may develop regional businesses and be able to compete with other established companies for contracts at other operations, not depending entirely on the Dolores Mine for their livelihood.

It hasn't been easy. We have had to work hard to build strong relationships with the Ejido leaders so that they trust us to be their advisors and partners in their new endeavors. The work that we do to strengthen the local supply chain has cemented our relationship with the communities and formed the foundation for prosperous social development.

The Ejido Huizopa acquired certain machinery such as bulldozers that can be used for farming and roadwork in the area. Dolores has leased some of this equipment for its capital projects, spending a total of US\$ 7.2 million during 2013. This investment supports many ejido members directly and indirectly funds social projects and urban development.

We have also fostered relationships with the local branches of government so that we can work together in improving social development. We worked closely with the municipality in building a local playground, as well as a meeting space for online secondary school work funded with the payment of land taxes for the 2012 fiscal year.

CMD considers that a strong and respectful relationship with the local communities, and the local branches of government is fundamental for the successful continuation of our operations, and future projects.



TRAINING

Since acquiring Dolores, we have made it a priority to work on building social infrastructure and promoting social development. Our primary approach was to support the educational system and opportunities provided to both local children and adults wishing to improve their capabilities and skills. Our success in promoting education and training efforts has not gone unnoticed. Recently, we became the first mining company in Chihuahua and Mexico to be recognized by the National Council for Education for Life and Work for our commitment to the education of local residents.

Our permanent commitment to education is one of the pillars of our success. We currently have an agreement with INEA (Adult Education Institute) to provide training for adults in different trades, such as carpentry, as well as general education to everyone at Ejido Huizopa. Additionally CMD is promoting the education of the local community members' children through annual contributions to scholarship funds designed to allow these children to pursue post-secondary education. This has not only provided members of the Ejido with invaluable skills and training, but has also made it possible for close to 200 locals to complete their elementary school education, and to learn to read and write.

GENDER EQUALITY

CMD supports gender equality and we strive to provide employment opportunities to local women. The women currently working for the Dolores mine are employed in areas ranging from cleaning work, to heavy machinery operation.

In fact, we currently have seven women working full time operating 80 ton mine trucks, that have been trained by CMD.

Dolores has given us the opportunity to build on our accomplishments, and to implement new ideas for social development. Our main goal is to promote a real change in people's lives in the communities where we operate, improving their quality of life through better health, education, services and infrastructure, among others.

We have no doubt that our relationships with the employees and the communities that make up Dolores are the basis of our success; thus, we are looking forward to the many years that lie ahead working with the people of the Ejido Huizopa to achieve our common goal of a sustainable future for the local communities.

I would also like to take this opportunity to acknowledge my team of workers for their professionalism and proven commitment to the Dolores mine.

JORGE MONDRAGON, *General Manager,
Dolores Mine, Mexico*



Environment

All

THREE

of our Mexican mines are
now Clean Industry Certified.





Our Company's 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.

OUR SUSTAINABLE DEVELOPMENT FRAMEWORK

Leadership on sustainable development strategy is provided by our Board of Directors, President and CEO, and the Board's Health Safety and Environment (HSE) Committee that actively reviews our performance on a quarterly basis. In 2013 the Board members of the HSE Committee visited our Mexican mines to see our team's efforts first hand.

Senior management participates directly in environmental and social strategy through the Sustainable Development Management Committee that has key managers from the Vancouver corporate office and all four country managers as members.

A new version of the Pan American Silver Environmental Policy was approved in 2013 by our President and CEO, and the Board of Directors, as the culmination of a continual improvement process that commenced in 2012 with the sustainability teams from each of our mines.

In 2013 we implemented a new internal metric of "Significant Environmental Incidents" (SEI) that represents an incident that negatively impacts the environment, communities, or the company reputation beyond the mine site. This measure was trialed as part of the company performance bonus for senior managers and we were able to successfully reduce the company-wide SEI's from four in 2012 to zero in 2013.

"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."

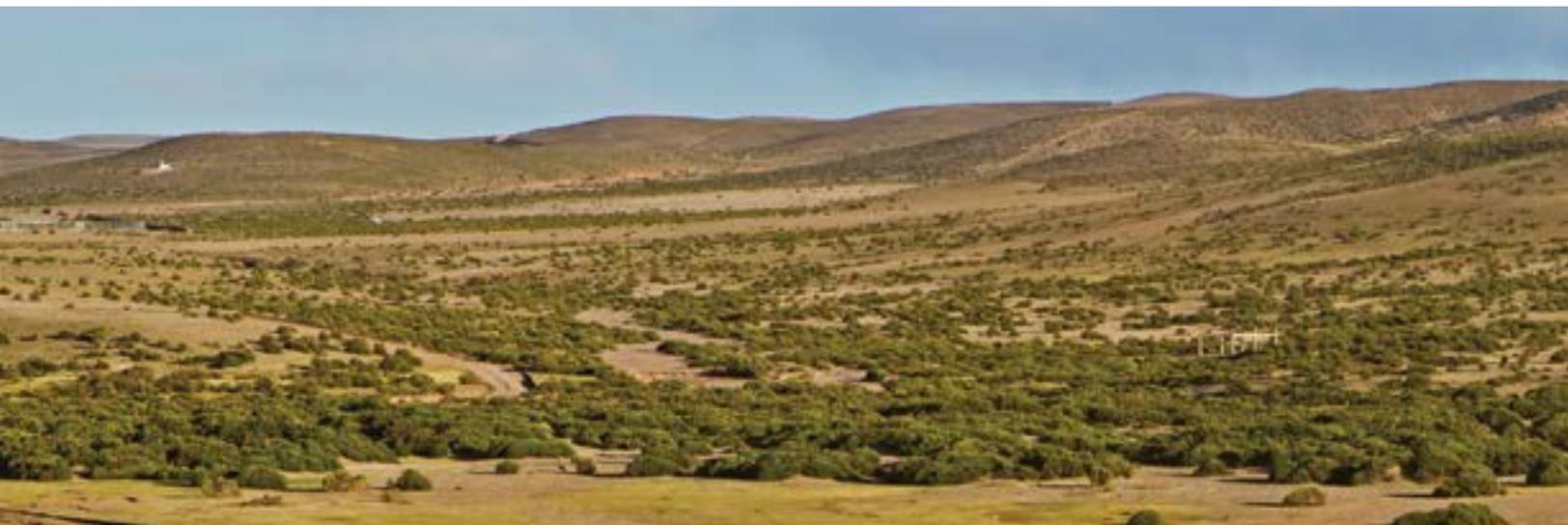
ENVIRONMENTAL MANAGEMENT

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 clearly 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, 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 environments and regions where we work.

The baseline information is then used interactively in the design of each new mine and to develop management and closure plans for historic environmental liabilities, in open consultation with local communities and government authorities. We conduct detailed modeling and simulation of the environmental effects of each design alternative in order to

determine the optimum solution, always aiming for a net benefit.

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. Our environmental management teams are built with long-serving, experienced professionals who have the best practical knowledge of the mines that they manage. In 2013 we maximized opportunities to interchange specific skills between professionals at our various mines and projects. The recent focus on internal capacity has enabled us to reduce our reliance on external



consultants and often generate practical, cost-effective strategies for improving our performance on issues like wastewater treatment, mine reclamation, waste management, water use and mine dewatering.

We ensure that all transport of chemical and fuel supplies to our operations, and waste from our operations, is undertaken with contractors that are certified for such activities in each of the jurisdictions where we operate. Our operations are certified and audited as waste generators where required and our chemical and fuel storage facilities on site are also certified and audited by the relevant authorities. We had no incidents related to transport of supplies, products, or waste from and to our mines that generated significant environmental impacts during 2013. None of our operations or projects are located within or adjacent to protected areas or areas of recognized high biodiversity value. All our sites have voluntary biodiversity management plans in place.

We recorded spills at our Huaron and Dolores mines in 2013. Both spills were immediately contained, cleaned up, and fully investigated. Corrective actions were put in place to ensure similar incidents do not occur in the future.

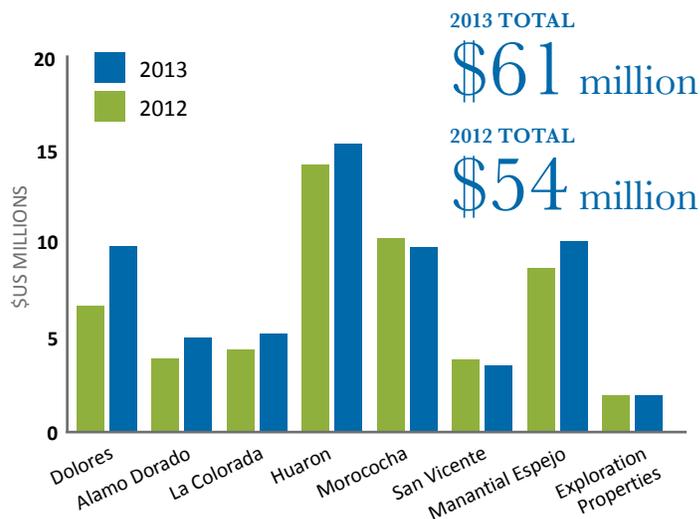
We do not have artisanal or small-scale mining by third parties occurring at our mine sites.

MONITORING AND CONTINUAL IMPROVEMENT

Once construction and operations begin, we conduct regular monitoring of all relevant environmental variables in order to measure real impacts against baseline data and report to the government and communities on our progress. Community participation in environmental monitoring is encouraged across all our mines. We implement management systems, work procedures and regular staff training to ensure optimum day-to-day management of issues like waste separation, recycling and/or disposal, chemical and reagent management, water conservation, spill prevention, and incident investigation and analysis. We conduct corporate environmental audits of our



MINE CLOSURE COSTS*



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

operations to ensure optimum environmental performance. Environmental staff from all of the mines participate in the audits which improve integration and consolidation of company-wide standards. In 2014, audits were conducted at Dolores, Alamo Dorado, La Colorada, and Manantial Espejo mines. We also conducted follow-up visits to assess progress with the implementation of corrective actions at Morococha, San Vicente, and Huaron which were audited in 2012.

PLANNING FOR MINE CLOSURE

We ensure that mine closure is considered in the design and operation of our mines. In 2013, we updated our closure cost estimates based on the Standard Reclamation Cost Estimator method used in Nevada, USA, and conducted a detailed quality assurance process resulting in increased confidence in our long-term closure planning strategies. A summary of the 2013 closure cost estimates for our mines is shown in the graph above.

All our mines have conceptual closure plans in place, and formal bonded closure plans are filed in jurisdictions where that is required, such as Peru. We undertake progressive closure activities where practical and all our mines have revegetation programs based on propagation of local plant species. These efforts are incrementally increasing at our Alamo Dorado and Manantial Espejo mines which are closest to closure. We frequently engage community members to construct and manage nurseries, and to help select native plant species for use in our ongoing land reclamation activities.

TAILINGS MANAGEMENT FACILITIES STEWARDSHIP

We operate seven tailings management facilities (TMF) and also have historic tailings dams and deposits at some of our mine sites. We undertook proactive tailings reclamation projects on

historic tailings deposits at La Colorada, Huaron, Morococha, San Vicente, and at our previous mine Quiruvilca immediately after purchasing each mine. In 2013, additional reclamation and maintenance of reclaimed tailings was conducted at La Colorada and Huaron. At San Vicente, in response to concerns from the local community, we commenced a project to remove and remediate tailings left by a previous operator that affect the river near the mine. This project started with a diversion channel to separate tailings from clean river water and continued with a mix of reprocessing, removal and remediation of the historic tailings.

All our operating tailings facilities are designed, built, and operated according to international best practices. In 2013 we worked on expansions of our operating TMFs in Huaron, La Colorada, Alamo Dorado, and San Vicente. TMF design and construction quality assurance and control are always completed using independent certified engineering consultants.

We commenced a process in 2013 to standardize our internal procedures for periodic review of TMF safety during operation. With this initiative we aim to simplify existing controls at each mine and standardize reporting methods across the company to ensure comparable records of TMF safety parameters are available at any given time.

WATER CONSERVATION AND PROTECTION

We are committed to the conservation of water resources and the protection of water quality in the areas around our operations. Our mines and processing plants are designed

and managed to minimize the potential for adverse effects on water quality. We work to improve water-use efficiency wherever practical and educate our staff and contractors on the importance of avoiding unnecessary water use. Following on from our achievements reported in 2012, Alamo Dorado continues to excel at water conservation and in 2013 achieved zero discharge status when the effluent quality from the domestic wastewater treatment plant was determined to be acceptable for recycling to the process plant. The mine handed in its legal permit for that discharge and now operates with recycle of all wastewater – both industrial and domestic.

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

ENERGY EFFICIENCY AND GREENHOUSE GAS EMISSIONS

At Pan American Silver, we recognize the importance of improving energy efficiency and the challenges associated



with climate change. We are committed to minimizing our Greenhouse Gas emissions (GHG) by improving energy efficiency and incorporating integrated grid or renewable energy sources into our energy matrix where possible. Last year we reported that a grid connection to our Dolores mine was under evaluation. This project has now advanced and we are working on feasibility documents for the selected power line route. The grid power connection will provide significant operating benefits, improve energy use intensity and reduce greenhouse gas emissions, as well as provide important long-term infrastructure for the communities near the mine and the State of Chihuahua, Mexico.

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

Through innovative energy solutions, employee education and awareness, and continual plant and equipment improvements, we strive to improve energy efficiency and reduce emissions.

ENVIRONMENTAL GRIEVANCE MECHANISMS

Pan American Silver has open channels of communication with all stakeholders through public offices at all mine sites and in nearby communities, as well as telephone and digital methods of lodging grievances about potential environmental impacts. In 2013 no matters raised by third parties related to environmental impacts of our mines were filed or processed through formal grievance mechanisms such as legal courts.

MATT ANDREWS, *Vice President,
Environment and Sustainability*

“We are committed to the conservation of water resources and the protection of water quality in the areas around our operations.”



Health & Safety

Our health and safety strategy is guided by the Pan American Silver Health and Safety Policy which states that we are “committed to protecting the health and safety of its employees and contractors at its mining operations and development projects”.

The policy details the specific actions that the Company has committed to implement in order to provide a safe and healthy workplace for its employees and contractors. Our Board of Directors relies on reports from management and the Board’s Health, Safety and Environment Committee to ensure that the Company is complying with the policy.

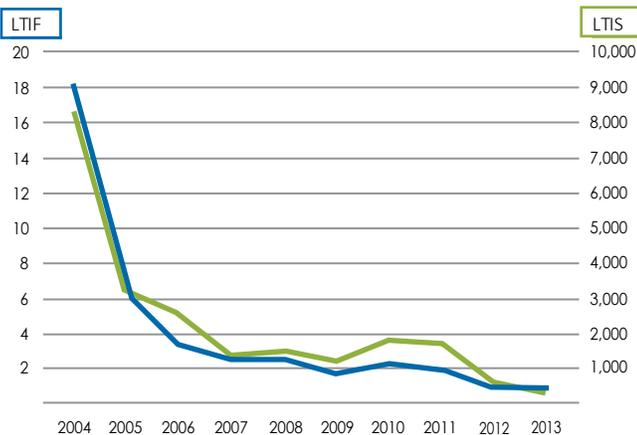
We have worked diligently over the years to improve our health and safety performance which we measure in terms of Lost Time Injury Frequency (LTIF), Lost Time Injury Severity (LTIS) and numbers of fatalities. LTIF and LTIS are calculated as follows:

$$LTIF = \frac{(\# \text{ of accidents}) * (1,000,000)}{\text{Total hours worked}}$$

$$LTIS = \frac{(\# \text{ of lost work days}) * (1,000,000)}{\text{Total hours worked}}$$

As reported last year, 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:

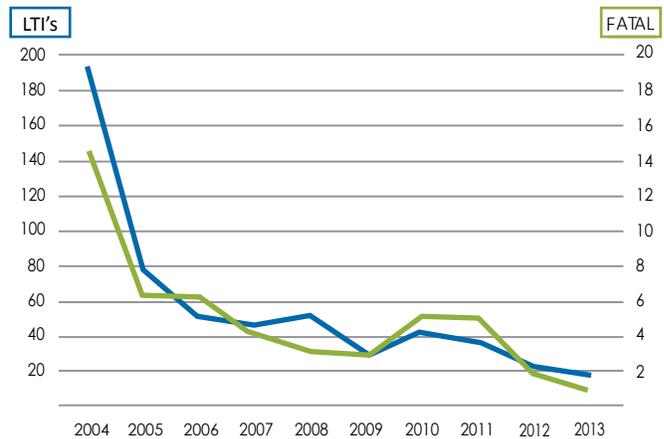
TOTAL FREQUENCIES



PAS TOTAL ACCIDENTS & FREQUENCIES GRAPHS

These achievements are the result of systematic integration of a culture of safety throughout all company staff, employees, contractors and service providers. In our underground operations this task has been greatly complicated by the size and complexity of these vast mines, particularly in Huaron and Morococha where many hundreds of kilometers of tunnels have been developed to access the typically less than 1 meter wide veins that contain silver and other metals. There are also many traditional and cultural practices that often hinder change and the geometry of the deposits are such that they are often difficult to mechanize. 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. Over almost a decade of constant dedication to safety, we have continued to implement the health and safety policy and achieve improved results for our employees and contractors, their families, and all Pan American Silver stakeholders.

TOTAL ACCIDENTS



2013 SAFETY PERFORMANCE COMPARED TO TARGETS

In 2013, the following performance targets were established by the Board:

Lost Time Injury Frequency of 1.80

Throughout all of our operations and projects, there were 19 lost time injuries in 2013 and a total of 20.1 million hours worked resulting in a LTIF of 0.94 which exceeded the target set by the Board of Directors.

By using 1,000,000 hours as a nominator, this calculation represents an approximation of the number of lost time injuries per 500 employees over the year.

It is also reasonably common in the mining industry for companies to use 200,000 or 100 employees as a nominator – on a 200,000 hour basis the PAS LTIF would equate to 0.19.

Lost Time Injury Severity of 900

Throughout the company in 2013 there were 6,619 lost work days which resulted in an LTIS of 329 (on a 200,000 hour basis the LTIS would be 66) which also exceeded our target for 2013.

PAS utilizes a system prescribed by the Peruvian mining ministry in order to assign lost work days to severe accidents. In this system, a fatal accident is assigned 6,000 lost work days.

ELIMINATE FATAL ACCIDENTS

A single fatal accident occurred in the year at the Huaron mine on March 25th, 2013 as a result of a ground fall that occurred in the underground mine. The accident occurred as the miners were installing ground support (rock bolts and screen) that was designed specifically to prevent that type of ground fall. The accident was thoroughly investigated and analyzed by safety professionals, engineers, managers and executives and a full internal report with recommendations to prevent a recurrence was prepared. The investigation revealed that in the process of installing the wire mesh screen in the roof the miners would occasionally work underneath areas of the roof that had not been supported. The recommendations included modifying the method of installing rock bolts and screen so that the miners will always be working from under a portion of the roof that has either already been supported or is supported with temporary jacks. A program to train the miners in this new procedure is under way at Huaron and Morochocha and is being led by the Corporate Director of Safety.

MARTIN WAFFORN, *Vice President, Technical Services*



Total Safety Training
Hours in 2013:

456,578

Governance

It is our firm belief that in order to succeed, each of our employees, directors and stakeholders must be proud of the fact that Pan American operates with a high degree of honesty and integrity, and that we are truly a responsible mining company. Although responsible mining has many facets, we believe good governance, sound ethical practices and strong corporate values are at its core. We believe that with these attributes, our business performance is enhanced and the interests of our stakeholders, and the environment we work in, are better protected.

LEADERSHIP

Strong leadership is an important part of being a responsible miner and in maintaining a culture of ethics and good corporate conduct. Leaders of a corporation are uniquely placed to ensure that the values and vision of the corporation are integrated with the ongoing business decisions and strategies.

Pan American believes in its leadership. We have recruited individuals that not only have the knowledge and skill necessary to guide the Company, but who also share the Company's commitment to honesty, integrity and ethical business practices. We have also developed a governance structure that establishes roles and responsibilities and promotes accountability throughout our organization.

THE BOARD AND ITS COMMITTEES

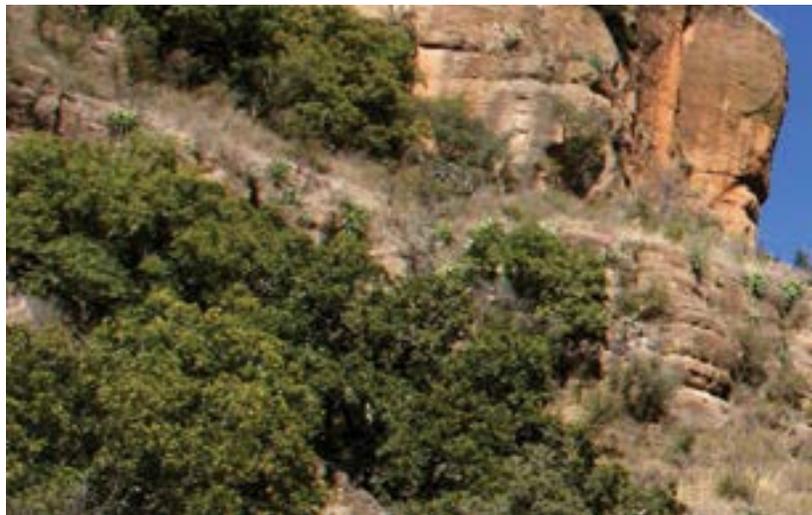
The Board of Directors has overall responsibility for the stewardship of the Company and provides oversight of the Company's business activities and management. As the top-level body in the organization, the Board also plays a significant role in corporate governance and sustainability matters through the development and approval of corporate policies and guidelines, assisting in the definition of corporate objectives and strategy, considering and monitoring risks faced by the Company, approving key business plans, and evaluating the performance of the Company and management on a regular basis. The Board has developed a mandate which sets out written terms of reference for the Board's authority, responsibility and function. The Board, as a whole or through its Committees, periodically reviews and assesses our policies and guidelines, as well as our governance practices, to ensure they are appropriate and current.

The Board is currently comprised of eight individuals. To ensure greater impartiality and accountability, the Board will always be comprised of a majority of directors who are independent. Independence is not solely determined based on legal or

regulatory definitions, but is also evaluated on the basis that to be independent, a director must be able to act objectively and in an unfettered manner, free from material relationships to the Company. Currently, six of the eight members of our Board, or 75% of its members, are independent. The two non-independent members of the Board are senior executives of the Company.

While the current Chair of the Board qualifies as independent for the purposes of applicable regulatory requirements, the Company is aware that he may be perceived by some as non-independent due to his previous role as a senior executive of the Company. As such, a Lead Director has been appointed, whose primary responsibility is to ensure that the Board functions independent of management and who acts as the principal liaison between the independent directors and the Chief Executive Officer. The Lead Director holds in-camera meetings at each regularly scheduled Board meeting with the other independent directors and then reports to the Board. The Chair does not attend in-camera sessions held by the independent directors.

The Board members are elected annually at the annual general meeting of the Company's shareholders. The Company has adopted a majority voting policy whereby any nominee proposed for election as a director is required to tender their resignation if the director receives more withheld votes than for votes (i.e., a majority of withheld votes) at any meeting where shareholders vote on the uncontested election of directors. Within 90 days of the relevant shareholders meeting, the Board will make its determination whether or not to accept the resignation and issue a press release either



announcing the resignation of the director or explaining the reasons justifying its decision not to accept the resignation. The Board will accept the resignation absent exceptional circumstances. A director who tenders a resignation pursuant to this policy will not participate in any meeting of the Board, nor in any committee meeting, at which the resignation is considered.

To assist in fulfilling its responsibilities, the Board has established five committees that each play a role in the Company's business, including matters relating to sustainability and governance:

- Audit
- Health, Safety and Environment
- Nominating and Governance
- Human Resources and Compensation
- Finance

Each committee acts on issues that fall within its particular purview, but also on matters that overlap between committees and ultimately may involve the Board as a whole. The Board has developed charters or mandates for each of its committees which establish their specific roles and responsibilities.

To ensure that sustainability and governance matters are accorded full attention and oversight, the Board has delegated certain responsibilities and accountability in this regard to the Health, Safety and Environment Committee and to the Nominating and Governance Committee.

“Strong leadership is an important part of being a responsible miner, and fundamental in maintaining a culture of ethics and good corporate conduct.”

The Health, Safety and Environment Committee (the “HSE Committee”) currently consists of three directors, two of whom are independent and the third is an executive member of the Board. We believe that the HSE Committee should have management nominees because they are closer to the

day-to-day work in this area and are positioned to effect and implement any desired changes or policies. The HSE Committee plays an important role in oversight of the Company's safety and environmental matters and in the development of corporate policies in these areas. Among other things, this Committee also oversees audits made of all construction, exploitation, remediation and mining activities undertaken by our operating subsidiaries to assess consistency with industry best practices and the Company's environmental and safety policies.

The Nominating and Governance Committee (the “N&G Committee”) is composed of two independent Board members. The N&G Committee's primary role is to oversee the effective functioning of the Board and to develop and implement governance best practices. This Committee works closely with our General Counsel and our Corporate Secretary to ensure that it stays aware of developments and emerging trends in corporate governance and regularly reports, advises



and makes recommendations on governance related matters to the Board. Among other things, this Committee is also responsible for:

- recommending the standards of business conduct contained in the Company's Global Code of Ethical Conduct (described in more detail below) and, together with the Audit Committee, assists the Board in monitoring compliance;
- conducting an evaluation and assessment process for the Board, its committees and individual directors on an annual basis;
- considering the competencies, skills and experience needed by the Board; and
- identifying possible Board nominees and making recommendations to the Board.

For a more detailed discussion of the Company's Board of Directors and their election, committees of the Board, and the roles and responsibilities of each, please refer to the Company's Information Circular dated April 4, 2014, beginning on page 9, available on the Company's web-site at www.panamericansilver.com and at www.sedar.com.

MANAGEMENT

While the Board has top-level responsibility for governance and sustainability, the Board also relies on management to lead the day-to-day operations of the Company and to implement corporate objectives and policies. In this respect, management provides the leadership and momentum to drive good governance and ethical practices within the Company. They are also role models for our employees and contractors and each member is therefore expected to be aligned with Pan American's values and culture, and to encourage honest and ethical practices.

While the leadership in day-to-day governance and sustainability matters is a shared effort across all of the executive management team, it is a direct function of the General Counsel, Vice President of Environment and Sustainability and the Corporate Secretary. These individuals liaise with the Board, make recommendations to the Board in their respective areas, assist in the development, implementation and monitoring of Company policies in these areas, and generally provide oversight and direction with respect to the Company's activities. The Vice President of Environment and Sustainability is primarily charged with the Company's sustainability and environmental programs and actively directs and oversees these programs at all levels, from

front-line at the mine sites to presentations to the Board. The Vice President of Environment and Sustainability reports to the Company Chief Operating Officer.

The Company has also established certain advisory committees at the management level to provide additional guidance on key aspects of its business. Of particular importance is the Sustainability Committee. The Sustainability Committee was created to assist in the development of the formal sustainability policies and practices of the Company. The Sustainable Development Management Committee is comprised of the Vice President of Environment and Sustainability and management members from each of the countries in which the Company conducts its business, as well as from a variety of other related disciplines. We believe that this breadth of experience and expertise is necessary to effectively understand and consider the complexity and breadth of sustainability matters.

“Management provides the leadership and momentum to drive good governance and ethical practices within the Company”

EXECUTIVE AND DIRECTOR COMPENSATION

The Human Resources and Compensation Committee (the HRC Committee) assists the Board in fulfilling its responsibilities relating to human resources and compensation issues and makes recommendations to the Board in respect of the overall compensation strategy. In addition, the HRC Committee reviews, approves and oversees the administration of our compensation plans, as well as conducting annual risk assessments to evaluate the potential risks associated with compensation programs. The HRC Committee is comprised of three independent directors.

Our executive compensation structure is designed to be competitive with the compensation arrangements of other mining companies with international operations of similar size and scope, to reward the achievement of defined individual and corporate goals, and to align the interests of our management team with shareholders by rewarding performance that is likely to increase shareholder value.

Each executive officer's position is evaluated to establish skill requirements and level of responsibility, which provides a basis for internal and external comparisons of positions. In connection with the Company's performance-based compensation programs, compensation is based partly on achieving established corporate objectives like increased safety and project advancement, but executives' performance is also evaluated against expectations for fulfilling their individual



responsibilities and goals within their particular employment function and area of expertise. In addition to industry comparisons, the Board and the HRC Committee consider a variety of factors when determining both compensation policies and programs, and individual compensation levels. When it deems appropriate, the HRC Committee directly engages independent compensation consultants for advice and information relating to the Company's compensation programs, however the HRC Committee makes its determinations independently based on its own experience, analysis and assessments.

In our efforts to continuously improve and enhance our corporate governance standards and best practices, shareholders are provided the opportunity to vote on the Company's approach to executive compensation at the Company's annual meeting of its shareholders. While the resolution is non-binding, the Company, and in particular, the HRC Committee, considers the outcome of the vote as part of our ongoing review of executive compensation.

Director compensation is established based on a comparison with other companies in the mining industry and in contemplation of the duties and responsibilities of our directors, both at a Board level and the committee level. Our approach to director compensation is based on offering competitive compensation to recruit and retain highly qualified individuals to serve on our Board. Independent director compensation is not tied to performance metrics and they do not participate in compensation programs established for management. Non-independent directors are not paid for their services as directors.

For a more detailed discussion of the Company's executive and director compensation programs, please refer to the Company's Information Circular dated April 4, 2014, beginning at page 22, which is available on the Company's web-site at www.panamericansilver.com and at www.sedar.com.

POLICY AND PROGRAM FRAMEWORK

The Company has adopted a number of policies and guidelines that articulate the way our directors, officers and employees are expected to conduct themselves and to guide the Company in its business. Each of these policies also assists the Company in complying with legal, regulatory and best practice requirements.

The Global Code of Ethical Conduct (the "Code") provides the foundation of these policies and guidelines and is applicable to all employees, officers and directors of Pan American. The Code sets out the ethical rules and standards to which each individual must comply and be accountable. In addition to the Code, we have also adopted a Global Anti-Corruption Policy (the "Anti-Corruption Policy") that clearly sets out the Company's position against using tactics of bribery or corruption or other means of obtaining an improper business advantage. The Code and the Anti-Corruption Policy help to ensure that our business is operated with integrity, and together they provide the fundamental tenets through which the Company can achieve its commitments to, among other things:

- operate in a responsible manner that complies with applicable laws, rules and regulations;
- promote the prompt reporting of violations of the Code and unethical behaviour; and
- provide a safe and healthy workplace.

Every employee, from senior executives to front-line mine personnel, all of our directors, and all of our service providers, are expected to conduct themselves in a manner consistent with the standards set out in the Code and the Anti-Corruption Policy and to take responsibility for their actions.

To help us ensure we are operating at these high standards and that people are aware of their obligations, we have analysed all of our business units for risks relating to corruption and ethics violations, and have developed a compliance program to support the Code and the Policy. Under this program, we

have distributed the Code and Anti-Corruption Policy to our directors, officers, and employees, as well as to many third parties with whom we do business, and have developed protocols and guidelines in a number of key areas. To date, we have completed in-person training sessions on our Code and the Anti-Corruption Policy with management and administrative personnel at our Argentina, Bolivia and Mexico operations, as well as for certain management members from our Peruvian administration and for our senior management in Vancouver. We plan to continue such training on a regular basis in all of the jurisdictions in which we operate.

The Board is responsible for the granting of any waivers from the Code to directors or executive officers. There has been no conduct of a director or executive officer that has required a waiver from the Code.

In addition to the Code and the Anti-Corruption Policy, the Company has also adopted a number of other policies and guidelines in connection with our commitment to being a responsible miner. Of particular note is the Company's Corporate Social Responsibility Policy, which sets out the Company's high-level commitments to corporate social responsibility. In addition, the Company has a number of other

policies which help to fill out the framework for governance and sustainability matters, including:

- Environmental Policy
- Health and Safety Policy
- Stock Transaction Policy
- Disclosure Policy

In conjunction with these policies, the Company has developed comprehensive programs to implement and achieve the goals and commitments espoused therein. These include, most notably, the extensive health and safety programs and our robust environmental management programs, each of which are described in more detail elsewhere in this report.

In unison with the Company's more formal governance, ethics, sustainability and safety standards provided for under its policies and programs, the values and culture of the Company have been developed to respect these standards and embody their spirit. The development of these values and culture has been and continues to be supported through the promotion of compliance with legal and regulatory requirements, by providing guidance and training to directors, officers and employees with respect to their conduct, and by promoting

“Responsible mining and good governance also involves the regular interaction, in an open and honest way, with governments, shareholders, local communities and other stakeholders and people affected by our operations.”



open and honest communication at all levels, without fear of reprisal or retaliation.

Please refer to the Company's website for the complete texts of the Code and Anti-Corruption Policy, as well as the Company's Corporate Social Responsibility, Environmental, and Health and Safety Policies.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION

Responsible mining and good governance also involves 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. By conducting itself in a transparent manner, the Company can further the exchange of information, address specific concerns of stakeholders and work cooperatively and effectively towards achieving Company goals while at the same time being accountable and responsible to those we affect. Open communication and approachability not only fosters good relationships, it also supports the Company's

compliance efforts and helps to ensure that our governance and ethics goals are being achieved.

Stakeholders have the opportunity to engage with us in a number of ways. Our local offices and operations, as well as our field personnel, are often the main point of contact with local communities and individuals. Shareholders and those wishing to learn more about the Company or to provide feedback can contact us by:

- E-mailing us through our Company website
- Contacting us by telephone
- Regular mail
- Attending company events

The Company has also implemented a complaints process by which persons outside the Company can confidentially submit complaints or make other reports to the Company. Such reports can be made anonymously and without fear of reprisals, discrimination, harassment or retaliation. The complaints process is set out on the Company's website.

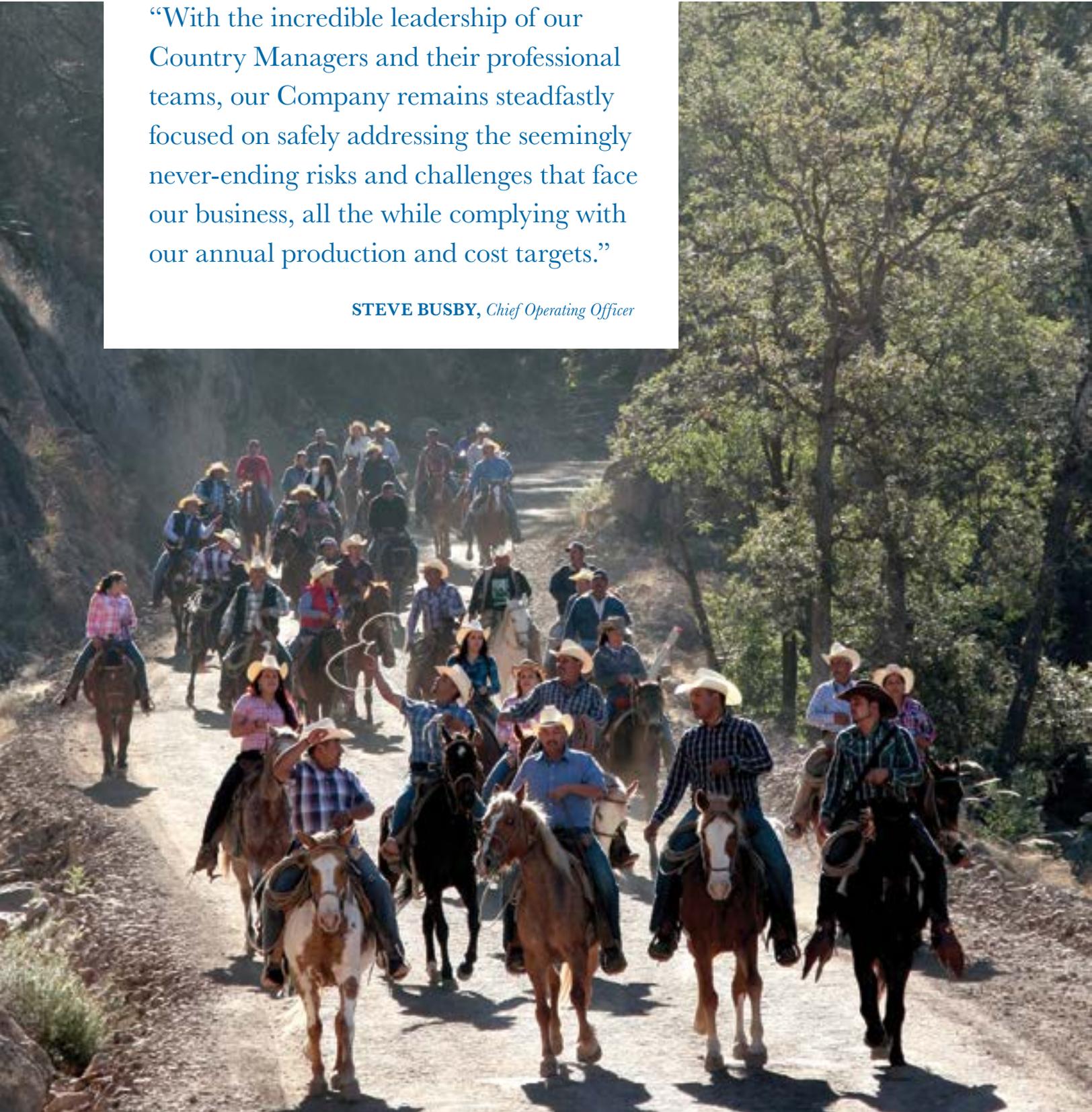
We have had no incidents of non-compliance with regulations and voluntary codes concerning marketing, communications, or corporate governance.

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



“With the incredible leadership of our Country Managers and their professional teams, our Company remains steadfastly focused on safely addressing the seemingly never-ending risks and challenges that face our business, all the while complying with our annual production and cost targets.”

STEVE BUSBY, *Chief Operating Officer*



EJIDATARIOS IN ARROYO AMPLIO, DOLORES, MEXICO

GRI Performance Indicators

GENERAL STANDARD DISCLOSURES

G4-10 - Total workforce by employment type, employment contact, and region

	Admin	Geology	Engineering	Labour	Total Employees	Contractors	Total Employees and Contractors
Canada - Vancouver Corporate	23	6	7	0	36	0	36
Peru							
Offices (off Mine Site)	55	0	0	0	55	0	55
Exploration	0	8	0	0	8	0	8
Huaron	91	9	32	812	944	757	1,701
Morococha	123	10	15	1,051	1,199	412	1,611
Pico Machay	0	0	0	2	2	13	15
Total-Peru	269	27	47	1,865	2,208	1,182	3,390
Mexico							
Office Durango	32	1	3	5	41	0	41
Office Chihuahua	1	0	1	2	4	0	4
Exploration	1	5	1	0	7	4	11
Alamo Dorado	26	3	35	222	286	52	338
La Colorada	24	7	73	480	584	143	727
Dolores	61	4	72	335	472	869	1,341
Total - Mexico	145	20	185	1,044	1,394	1,068	2,462
Bolivia							
Offices (off Mine Site)	27	0	0	3	29	1	30
Exploration	0	0	0	0	0	0	0
San Vicente	31	8	65	321	425	148	573
Total - Bolivia	58	8	65	323	454	149	603
Argentina							
Offices (off Mine Site)	22	0	0	0	22	2	24
Exploration	0	2	0	10	12	0	12
Manantial Espejo	67	8	100	483	658	97	755
Navidad	1	1	0	47	49	3	52
Calcatreu	2	0	0	3	5	0	5
Total - Argentina	92	11	100	543	746	102	848
Total	587	72	404	3,775	4,838	2,501	7,339

G4-11 - Percentage of employees covered by collective bargaining agreements

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Employees that belong to a union or association	335	223	480	275	276	344	480
% of total employees	71.0%	78.0%	82.2%	29.1%	23.0%	80.9%	72.9%

SPECIFIC STANDARD DISCLOSURES

ECONOMIC PERFORMANCE

G4-EC1 - Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments

PRODUCTION	2013	2012
Silver (million ounces)	26.0	25.1
Gold (ounces)	149,800	112,300
Zinc (tonnes)	42,100	36,800
Lead (tonnes)	13,500	12,300
Copper (tonnes)	5,500	4,200
Cash cost per silver ounce ⁽¹⁾	\$10.81	\$12.03
Average price per silver ounce (\$US London fix)	\$23.79	\$31.15
Average price per gold ounce (\$US London fix)	\$1,411	\$1,669

FINANCIAL (all amounts in million US\$ except AISCOS) ⁽³⁾	2013	2012
Net (loss)/earnings	\$(445.85)	\$78.4
Adjusted (loss)/earnings ⁽⁴⁾	\$(49.5)	\$166.8
Mine operating earnings ⁽⁵⁾	\$131.5	\$303.9
Net cash generated from operating activities	\$119.6	\$193.3
Dividends paid	\$75.8	\$24.9
Share repurchasing program	\$6.7	\$41.7
Cash and short term investments at December 31	\$422.7	\$542.3
AISCOS, net of by-product credits (\$US) ⁽²⁾	\$18.33	\$22.26

Note: For full definitions of the financial terms used in this report please see our 2013 Annual Report.

STAKEHOLDERS	2013	2012
Common shares outstanding at December 31 (million)	151.5	151.8
Number of Employees and Contractors	7,339	8,327

Note: Financial information prepared in accordance with International Financial Reporting Standards "IFRS".

(1) Cash costs per payable ounce of silver, net of by-product credits, is a non-GAAP measure. The Company believes that in addition to production costs, depreciation and amortization, and royalties, cash costs per ounce is a useful and complementary benchmark that investors use to evaluate the Company's performance and ability to generate cash flow and is well understood and widely reported in the silver mining industry. However, cash costs per ounce does not have a standardized meaning prescribed by IFRS as an indicator of performance. Investors are cautioned that cash costs per ounce should not be construed as an alternative to production costs, depreciation and amortization, and royalties determined in accordance with IFRS as an indicator of performance. The Company's method of calculating cash costs per ounce may differ from the methods used by other entities and, accordingly, the Company's cash costs per ounce may not be comparable to similarly titled measures used by other entities. See "Alternative Performance (Non-GAAP) Measures" in the Company's MD&A for the year-ended December 31, 2013 for a reconciliation of this measure to the Company's production costs, depreciation and amortization, and royalties.

(2) All-in sustaining costs per silver ounce sold ("AISCOS") is a non-GAAP measure. The Company has adopted the reporting of AISCOS as a measure of a silver mining company's consolidated operating performance and the ability to generate cash flow from all operations collectively. We believe it is a more comprehensive measure of the cost of operating our consolidated business than traditional cash and total costs per ounce as it includes the cost of replacing ounces through exploration, the cost of ongoing capital investments (sustaining capital), general and administrative expenses, as well as other items that affect the Company's consolidated earnings and cash flow. This measure including its subcomponent Sustaining Capital are non-GAAP measures. Please see "Alternative Performance (Non-GAAP) Measures" in the Company's MD&A for the year ended December 31, 2013.

(3) Recast 2012 financial results for the finalization of the purchase price allocation of Minefinders.

(4) Adjusted (loss)/earnings are non-GAAP measures. Adjusted earnings is calculated as net (loss)/earnings for the period adjusting for the gains or losses recorded on fair market value adjustments on the Company's outstanding derivative instruments, impairment of mineral property, unrealized foreign exchange gains or losses, unrealized gain or loss on commodity contracts, realized and unrealized losses on silver and gold forward contracts, severance expense, the transaction costs arising from the Minefinders transaction, gain or loss on sale of assets, and the effect for taxes on the above items. The Company considers this measure to better reflect normalized earnings as it does not include items which may be volatile from period to period. Please see "Alternative Performance (Non-GAAP) Measures" in the Company's MD&A for the year ended December 31, 2013.

(5) Mine operating earnings is a non-GAAP measure used by the Company to assess the performance of its silver mining operations. Mine operating earnings is calculated as revenue less production costs, depreciation and amortization and royalties. The Company and certain investors use this information to evaluate the Company's performance. Please see "Alternative Performance (Non-GAAP) Measures" in the Company's MD&A for the year ended December 31, 2013.

G4-EC6 - Proportion of senior management and workforce hired from the local community at significant locations of operation

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Proportion of senior management and workforce hired from the local and national community at significant locations of operation	95%	99%	100%	99%	99%	98%	95%

G4-EC7 - Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
CSR and Community Infrastructure Investment	\$3,311,824	\$2,954,000	\$54,936	\$1,014,458	\$471,505	\$112,921	\$511,371

ENVIRONMENT

MATERIALS

G4-EN1 - Materials used (tonnes)

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Ore processed	5,351,851	1,790,317	448,659	802,300	573,295	319,433	719,607

G4-EN3 - Direct energy consumption

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Diesel (m3)	40,498	3,756	1,925	2,960	3,069	766	18,209
Gasoline (m3)	1,515	395	172	-	-	112	-
Liquified Petroleum Gas, LPG (m3)	72	3,316	277	126	112	-	-
Ammonium Nitrate, ANFO (tonnes)	6,365	659	317	508	78	566	1024
Emulsion (tonnes)	218	120	180	47	953	-	850
Electricity (MWh)	-	59,105	45,897	62,019	56,136	17,811	-

G4-EN8 - Total water withdrawn (m³)

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Mine dewatering (groundwater)	48,875	119,487	4,890,895	29,348,979	875,592	92,409	1,056,403
Other groundwater	64,027	410,183	-	-	-	-	-
Surface water	913,767	-	-	2,868,492	1,233,241	483,874	-
Total	1,026,669	529,670	4,890,895	32,217,471	2,108,833	576,283	1,056,403

Water use (m³)

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Processing Plant (make-up water)	731,830	410,183	121,343	2,868,492	2,108,833	192,415	409,451

G4-EN10 - Water Recycling (m³)

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Recycle of process water	7,613,962	1,208,926	443,364	83,715	322,712	576,283	4,280,771
% water recycle processing	91%	75%	79%	3%	13%	75%	91%

G4-EN13 - Habitats protected or restored

G4-MM1 - Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Disturbed hectares	479	179	163	286	58	52	271
Reclaimed hectares	0	1	7	6	1	5	3

EMISSIONS, EFFLUENTS AND WASTE

G4-EN15 - GHG emissions - direct consumption (tonnes CO₂ eq)

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Diesel	109,856	10,189	5,222	8,029	8,325	2,078	49,394
Gasoline	3,639	949	413	-	0	269	-
Liquified Petroleum Gas, LPG	109	5,039	421	191	170	-	-
Ammonium Nitrate, ANFO	1,203	125	60	96	15	107	194
Emulsion	41	23	34	9	180	-	161
Electricity	-	31,992	24,843	10,687	9,673	8,994	-
Total	114,849	48,317	30,993	19,013	18,364	11,448	49,748

G4-EN22 - Total water discharge (m³)

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
To surface water	-	-	-	-	609,595	-	-
To groundwater	-	-	-	-	-	-	-
To treatment plants or ponds	23,372	298	4,697,515	29,348,979	14,608,662	434,191	1,152,763

G4-EN23 - Total weight of waste (tonnes) by type and disposal method

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Hazardous or dangerous waste	671	123	77	23	42	102	506
Non-hazardous inert waste	159	0	320	801	78	22	610
Domestic waste to landfill	126	46	190	244	437	554	273
Incineration	172	0	0	0	0	25	0
Reuse	184	26	15	3	4	32	0
Recycling	252	43	90	403	26	438	608

G4-EN24 - Total number and volume of significant spills

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Number of significant spills	1	0	0	1	0	0	0
Volume of liquid or pulp (m ³)	10	0	0	69	0	0	0

G4-EN25 - Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Hazardous or dangerous waste (tonnes)	671	123	77	23	42	102	506
% of hazardous waste transported internationally	0%	0%	0%	0%	0%	0%	0%

G4-MM3 - Overburden, tailings, and sludges (tonnes)

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Tailings not used as hydraulic backfill (dry tonnes)	0	1,787,791	387,538	613,300	422,027	316,017	719,516
Waste rock not used as backfill	34,412,749	5,117,395	-	991,866	631,942	15,474	7,314,157
Water treatment sludge	1,900	1	2	29,102	21	4,480	0

SOCIAL

LABOUR PRACTICES & DECENT WORK

EMPLOYMENT

G4-LA1 - Total number and rate of employee turnover by age group, gender and region

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Employees	472	286	584	944	1199	425	658
Turnover Employees	76	26	82	244	350	25	66
Rate	16.1%	9.1%	14.0%	25.8%	29.2%	5.9%	10.0%
<30 Men	17	6	20	60	81	12	18
Between 30 and 50 Men	46	13	48	160	220	7	35
>50 Men	8	2	9	20	31	4	3
<30 Women	2	1	2	1	4	1	6
Between 30 and 50 Women	2	2	2	3	12	1	4
>50 Women	1	1	1	0	2	0	0

OCCUPATIONAL HEALTH AND SAFETY

G4-LA6 - Rates of injury, severity, lost days

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Lost time injury frequency	0.23	0	0.48	1.88	1.52	1.22	0
Lost time injury severity	19	0	29	1,444	59	40	0

TRAINING AND EDUCATION

G4-LA9 - Average hours of training per year

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo	Total
General Safety	30,736	5,894	16,417	164,152	93,670	2,819	2,743	316,431
Mining Induction	20,298	475	12,201	31,501	27,858	3,510	1,339	97,182
Geotechnical	0	0	162	5,085	1,682	0	0	6,929
Formal Safety Meetings	1,963	786	1,985	1,487	7,271	1,964	539	15,995
Mine Rescue	4,642	3,165	2,622	1,603	3,850	1,570	2,589	20,041
Total	57,639	10,320	33,387	203,828	134,331	9,863	7,210	456,578

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Contact Information and Glossary

GLOSSARY OF TERMS

Ag	Silver
Biodiversity	The variety of living organisms, genetic diversity, habitat diversity that create and sustain variation in the environment
CO² eq	Carbon dioxide equivalent
CSR	Corporate social responsibility
G4 Indicator	Sustainability performance indicators contained in the G4 guidelines of the Global Reporting Initiative
GHG	Greenhouse gas
Global Reporting Initiative (GRI)	An Independent institution whose mission is to develop and disseminate globally applicable sustainability reporting guidelines
HSE	Health, safety and environment
LPG	Liquefied petroleum gas
LTIF	Lost time injury frequency, calculated as the total number of accidents per million hours worked
LTIS	Lost time injury severity, calculated as the number of days lost to injury per million hours worked
m³	Cubic metres
PAS	Pan American Silver Corp.
SEI	Significant Environmental Impact
Tonne	Unit of weight equivalent to 1,000 kilograms (2,205 lb)

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