



Pan American  
SILVER CORP.



# A Reputation for Excellence

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SUSTAINABILITY REPORT 2014

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



All highlights throughout this report are of 2014.

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

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# About this Report

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) (Pan American Silver, Pan American or the Company), 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, development, mining, processing, refining, and land reclamation. 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. In this our sixth annual sustainability report, we take the opportunity to showcase the work we do in the areas surrounding our operations, building socio-economic opportunities and setting an example through environmental stewardship.

## Our Management Approach

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

In this report, you will learn how these principles take shape in the everyday running of our business, and how we strive to build a reputation for excellence in everything we do. It is our conviction that sustainable

development depends on the relationships we build with our employees and the communities where we operate. With this management approach we have successfully developed long-lasting partnerships with our valued stakeholders, investors, and local communities, allowing us to enhance the sustainability of our business year after year, and maintain best practice industry standards.

### About this Report

This is Pan American's sixth annual sustainability report, prepared in accordance to "Core" as per the Global Reporting Initiative (GRI) G4 sustainability reporting framework. Last year's sustainability report was Pan American's first year reporting with GRI's new G4 framework, making it a year of transition. As we progressed through our second year of reporting using this new framework, we were able to strengthen our data collecting and reporting practices, becoming more efficient in these systems throughout our operations. As in previous years, we are also reporting in line with the GRI Mining and Metals Sector Guidance supplement.

### Standard Disclosures

Information relating to Pan American's sustainability strategy and performance, our organizational profile, the scope and boundaries of this report, governance, ethics and integrity, and overall management approach is distributed throughout 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, and can be found on the Global Reporting Initiative page.

**We believe that the key to our success is our 7,000 employees and contractors who work every day with an inspiration towards creating a sustainable future.**

## Accountability

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 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 sustainability reporting standards and represents the information gathered from our operations as accurately as possible. We have obtained external assurance for the financial data in our 2014 Audited Annual Financial Statements, some of which is also reported in this Sustainability Report. The assurance is provided by our external financial auditors. More details can be found [here](#).

Please do not hesitate to contact us; we welcome any and all feedback. Please direct any questions regarding this report to Matt Andrews, Vice President of Environment and Sustainability, or Monica Moretto, Senior Manager of Corporate Affairs and Social Responsibility at [csr@panamericansilver.com](mailto:csr@panamericansilver.com).

# Awards in 2014

## Corporate

- Corporate Knights ranked Pan American Silver 19<sup>th</sup> on their Future 40 Responsible Corporate Leaders in Canada.

## Mexico

- All mines were awarded with the Socially Responsible Company (ESR) Award presented by the Centro Mexicano para la Filantropía (CEMEFI)
- All mines maintained the Clean Industry independent environmental certification by the Mexican Environment Protection Agency (PROFEPA)

## Peru

- Carlos Diez Cordero, Pan American Silver Peru's Manager of Human Capital and Legal, received recognition from the District of Huayllay, where our Huaron mine is located, for important social work competed over many years in the local communities near the mine. The ceremony was held at the National Congress in Lima.

# Chairman's Letter

The year 2014 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.

**Ross Beaty, Chairman** | To me, “sustainable mining” means creating safe and clean working practices, maintaining as healthy a natural environment as possible at and around our operations, and partnering with our employees, contractors, communities and governments to create a strong economic, educational, and healthy environment that will persist long after mining ceases. 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 administration offices). We employ nearly seven thousand people including contractors. We also contribute to the employment for thousands more who work for our service and material suppliers. And we support communities with tens of thousands who, in some cases, live in impoverished areas with no other regional economic driver.

**A healthy environment, a healthy workplace and a healthy community where we operate all help build Pan American Silver into a better company.**



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. And we 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.

# CEO's Letter

Welcome to our sixth annual Sustainability Report, where we describe our progress, our achievements, and our responses to the challenges we faced in sustainable development over the past year.

[Geoff Burns, Chief Executive Officer](#) | In 2014, we were yet again compelled to further optimize and control our capital and operating expenditures as we responded to lower silver prices, while we continued to improve the efficiency of our management systems. I am pleased to report that we were successful in these efforts, which allowed us to remain committed to all of the sustainable development programs that had been previously established at each of our operations.

2014 was a milestone year for Pan American, as we celebrated the Company's 20<sup>th</sup> anniversary in the silver business. Our efforts over the past 20 years have delivered many rewarding results. As the Company has grown its silver production, we have also evolved and matured as an international mining company with a reputation for operating excellence and transparency. In 2014, we recorded another year of excellent safety performance, we achieved our goal of zero significant environmental incidents, we made important improvements in our sustainable development programs, at the same time as recording new annual Company records for both silver and gold production.

## Safety First

In 2014, we had yet another exceptional year in safety. Our lost time injury frequency rate was 1.14 and our lost time injury severity rate was 357, both excellent results. The commitment to safety excellence demonstrated by all of our staff, from front-line workers to senior management, has been the driving factor behind the company-wide consistent improvement in our safety practices and health standards. Despite our dedication to safety, we did experience one fatal accident at our Huaron mine in Peru in 2014 when a

worker succumbed to a low oxygen environment. My deepest condolences go out to our employee's family and loved ones. Our team conducted a full investigation of the incident and as a consequence of their review, additional safety measures have been undertaken and a program is also underway to provide additional employee training in this respect.

## Social Responsibility

Over the past twelve months we focused our efforts on two key initiatives of the social responsibility department – stakeholder engagement and the Community Development Initiative toolkit.

We conducted a broad stakeholder consultation process in all of the countries where we operate, and included all stakeholder groups (NGO's, governments, community members, employees, suppliers, and contractors). The priority issues identified by our stakeholders have become the foundation for this sustainability report. We plan to update the consultation on a yearly basis and integrate the most important interests and concerns from our stakeholders in our social and environmental programs going forward.

We also achieved our goal to create a Community Development Initiative ("CDI") toolkit, to better focus our community projects and to improve the results of our investments. The CDI toolkit will help us better measure and evaluate our contributions to health, education, infrastructure, and specific sustainable development programs unrelated to mining. Our local teams will apply the CDI Toolkit, in consultation with the local communities, to quickly and thoroughly assess the viability and chance of success for individual projects based on a set of defined criteria such as "Partnership Assessments" and "Competencies Assessments".

This past November, I had the honor of being named the Godfather of the 2014 Julio Urquieta High School graduating ceremony in San Vicente, Bolivia. It was inspiring and rewarding to learn that almost all graduates would be attending university in the spring. Many graduates that go on to study to become teachers, engineers, business administrators and medical professionals will hopefully return to the local community and ultimately contribute to lasting social development of the region.

Pan American's direct investment in education and in the community of San Vicente over many years has led to a dramatic improvement in standards, to the point where this once forgotten school is now one of the top high schools in the entire Potosi Region.

Also at San Vicente, we continue to register success with Project Access, the sustainable development initiative involving 11 communities that was developed and funded in concert with the Canadian Department of Foreign Affairs, Trade and Development. Now in its second year, this Llama Breeding Project is focused on sustainable economic alternatives and has the potential to significantly improve the lives of more than 350 families in the Potosi region. During the past year the Canadian NGO that is leading the project, Socodevi, has made measurable and targeted progress in keeping this project on track. I look forward to reporting on the continued success of Project Access – the first project of its kind in the Bolivian mining industry.

### Environmental Stewardship

I am pleased to report that we achieved our goal of zero significant environmental incidents in 2014, continuing on the success of 2013. We also successfully completed an important project to review the safety of all our operating tailings management facilities (TMFs). These reviews, independently verified by third party engineers in the case of Huaron, confirm that the design, construction, and operation of our TMFs are in accordance with best practices.

We made important advances to standardize our environmental management systems, by completing the planning and identification of environmental aspects that are common to all our operations. The success of our environmental management programs was demonstrated in Peru and Bolivia when the 2014 environmental audits of our mines found that non-conformances were reduced by over 50% from previous audits.

## In Summary

Pan American's reputation for excellence has been built on the experience and dedication of our teams on the ground at our each of our mines, the support and interaction with the local communities that host our operations, and the unwavering support of our Board of Directors and senior management to the efficient execution of our sustainability programs. I want to thank our nearly 7,000 employees and contractors for their commitment to health, safety, production, environmental stewardship, and community engagement. Congratulations on reaching our twenty-year anniversary together, and I look forward to building on our shared success over the next twenty years.

# Business Development

Regardless of whether a project is an early stage exploration asset, an advanced development property, or a producing mine, we always strive to build lasting relationships with the local communities.

[Michael Steinmann, President](#) | Exploration geologists are often the first point of contact between local communities and a mining company; as such, they learn quickly about the importance of building solid and honest relationships with local stakeholders in order to best accomplish their work, and establishing lasting partnerships that will allow for long term success. Early environmental studies and baseline monitoring are also key aspects of the exploration, project development and mine permitting processes.

Once a project advances to the development stage, the need to build strong community relationships becomes even more important for success. Honest communication, mutual respect and open dialog are employed in order to achieve strong relationships with the communities. At this point in the process, it is vital that both the company and the community recognize each other's needs and expectations and build the foundation of a strong and healthy relationship.

Ultimately, however, regardless of whether the project is an early stage exploration asset, an advanced development property, or a producing mine, we always strive to build lasting relationships with the local communities. We achieve this through a strong commitment to best industry practices to foster economic and social growth for all Pan American Silver stakeholders.

Our Business Development department looks for high quality opportunities primarily across the Americas, but also in the rest of the world. This is a complex task since we are looking for projects that fit a specific set of parameters that aim to build on our current portfolio. Whether it is an early stage asset, or a producing mine, we always look for a project with promising geology, metallurgy, economics, environmental aspects, and most importantly good relationships with the local communities.

# The Year in Review

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

[Steve Busby, Chief Operating Officer](#) | In my duties as Chief Operating Officer, I occasionally have the privilege to promote our Company to governments, media personnel, investors, employees, contractors and others. Despite the realization that it is utterly impossible to effectively describe all the incredible complexities of our business in a short meeting, I never have any troubles finding good things to say about the things we do. I believe that, unlike any other industry that exists in this cyber-focused world we live in, being successful in mining business depends heavily on people making sound decisions. As I reflect on the enormous successes we have accomplished, I can say with confidence that all of Pan American Silver's nearly 7,000 employees and contractors, have their focus in all the right places. This fact is clearly demonstrated in the following highlights from just a few of our many accomplishments of 2014.

For the third consecutive year, our greatest accomplishment in 2014 was our safety performance, achieving a lost time accident frequency of 1.14 per million work hours with a severity of 357 lost work days due to accidents per million work hours. This proud result is nearly identical to the Company's best safety record set in 2013. While we lament the loss of one of our employees in a workplace accident in 2014, I echo Geoff Burns' comments and reaffirm our teams priority objective to eliminate fatalities at all Pan American operations. Furthermore, Pan American Silver's employees and contractors demonstrated their commitment to protecting the environment by again registering zero significant environmental incidents for the second consecutive year since establishing this important metric.

As a well-earned outcome to priorities in working safely and protecting the environment, Pan American Silver again set meaningful records for silver, gold and copper production with just over 26 million ounces of silver, 161.5 thousand ounces of gold, and almost 9 thousand tonnes of copper produced during 2014 in addition to strong production results for zinc and lead. Coupling these production results with the intelligence and innovative thinking of our people, we effectively addressed the challenging market conditions and managed costs such that we achieved a consolidated unit cash cost<sup>(1)</sup>, net of by-product credits, of \$11.46 per ounce of silver produced, driving better than expected cash flows. These cash flows allowed us to advance our attractive organic growth projects and pay an industry-leading dividend yield to our shareholders, all-the-while preserving our strong financial balance sheet.

Our project and technical services teams appropriately focused their efforts during 2014 towards engineering, defining the details and preparing for the construction of our financially attractive La Colorada expansion and Dolores powerline projects in Mexico while essentially completing the large two year heap leach pad construction project at Dolores. I firmly believe history shows that the success of mining projects are largely determined during the crucial definition and design stages before any material activities become visible on the ground. I'm confident that the intensive preparation efforts we conducted during 2014 will lead to success for the Company at both projects as we enter construction phases during 2015.

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

I believe that much of Pan American Silver's ability to continually succeed originates from our strategy of decentralizing key decision making whereby all employees and contractors are encouraged to think creatively and held



accountable to act appropriately according to agreed core values and guiding principles. We adopt simple to understand, efficient and effective policies and systems aimed at trying to avoid costly and ineffective bureaucracies that all too often creep into large complex companies. Pan American Silver is not immune to the numerous and significant challenges that face our business and industry, however I believe our decentralized approach to decision making enhances the Company's ability to react to the many challenges and to succeed in our business.

As I have mentioned in previous reports, Pan American Silver's mines play an incredibly vital role in building prosperity for those communities, employees, governments, contractors, suppliers and shareholders that are connected to our business. Over years of effort, this prosperity has helped build positive relationships that form the foundation of the valuable silver mining business that Pan American Silver is engaged in today. I'd like to extend my personal gratitude to all of our dedicated employees and contractors for their efforts that resulted in establishing several new Company production records during 2014 and will help to sustain our thriving business for many years into the future.

<sup>1</sup> Cash costs is a non-GAAP measure. Please refer to the Company's Management's Discussion & Analysis for the year ended December 31, 2014, under the heading "Alternative Performance (non-GAAP) Measures" for a detailed discussion of this measure.

# 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.

[Delaney Fisher, VP Legal Affairs and Corporate Secretary](#) | 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. 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 make us successful, 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, approval of 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 the Board's authority, responsibility and function. The Board, as a whole or through its Committees, periodically reviews and assesses our policies, guidelines, and governance practices to ensure they are appropriate and current.

In 2014, the Board was 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. In 2014, 75% of our Board members were independent. The two non-independent members of the Board were senior executives of the Company.

A Lead Director has been appointed by the Board, 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, who was previously an executive with the Company, does not attend in-camera sessions held by the independent directors.

The Board members are elected annually at the annual 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 at 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.

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. 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 receives management reports relating to environmental and safety audits undertaken by our operating subsidiaries in order 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 for developing and implementing 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, available on the Company's website and at [www.sedar.com](http://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's Chief Operating Officer.

## Management provides the leadership and momentum to drive good governance and ethical practices within the Company.

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 Sustainable Development Management Committee (the "Sustainability Committee"). The Sustainability Committee was created to assist in the development of the formal sustainability policies and practices of the Company. The Sustainability 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.

### 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 compensation 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. Executive 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, which is available on the Company's website and at [www.sedar.com](http://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 ([LINK](#))
- Health and Safety Policy ([LINK](#))
- 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 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.

Stakeholders have the opportunity to engage with us in a number of ways, beyond the specific sustainability consultation exercises covered elsewhere in this report. 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](#).

# Stakeholder Engagement & Materiality Assessment

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

## Stakeholder Engagement & Materiality Assessment

We are aware that our business is in many ways dependent on these stakeholders and establishing relationships of mutual trust and respect is important. Open communication and approachability not only fosters good relationships, they also help to ensure that we keep in touch with what really matters to our stakeholders.

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

Through stakeholder consultations, we learn a great deal of what's important, and this enables us to design and optimize our sustainability strategy at each level in our business. The reasonable expectations and interests of our stakeholders are a key driver for the content and disclosure in this report.

The results of the stakeholder engagement are then translated into a materiality assessment, which is a GRI tool that helps summarize all the

findings into a format that allows Pan American Silver to focus on the things that truly matter.

### Stakeholder Consultation

We made a commitment in 2013 to focus on improving and designing the format of our stakeholder consultation so that it can be applied uniformly to each of the jurisdictions where we operate, save for any exceptions made for cultural reasons. This new stakeholder consultation process was implemented successfully in 2014 and gives us the appropriate feedback to anticipate any interests, questions, or concerns that our stakeholders might have, while also allowing us to improve our materiality assessment and identify the important topics that will form the base for each year's Sustainability Report.

This new questionnaire reached out to a sample of stakeholders from each of the following groups: National, Regional and Local Governments, Non-Governmental Organizations, community members, Union workers, contractors, Pan American's employees and other groups of interest. The consultation took place in Argentina, Bolivia, Canada, the United States and Peru. In Mexico we obtained direct feedback from our local Corporate Social Responsibility (CSR) teams and plan to include this country's stakeholders in the Company-wide questionnaire format that will be used in 2015. The questionnaire was divided into five categories: Economic, Environmental, Labor Practices, Human Rights, and Society; the categories are in accordance with the GRI aspects established in the new G4 format. Within each of these categories, we not only included the aspects required by GRI, but we also developed additional items that we considered important to our business, as well as some suggestions from UNICEF relating to children's and youth's rights within the areas where we operate.

When developing the stakeholder consultation process, we particularly focused on the areas that our local CSR and Environmental teams deemed the most important; however, the process was developed in a way that would allow stakeholders to identify any additional aspects not specifically covered in the questions.

The following are some of the additional aspects not specifically included in the GRI framework that were included in the stakeholder consultation:

- Children and Young People
- Archaeology and Cultural Heritage
- Tailings Dams and Leach Pads
- Family-Friendly Policies and Working Conditions
- Inclusion of Human Rights Principles in Contracts
- Youth Education, Training and Employment
- Land Use and Landscape Impacts
- Noise and Vibration
- Climate Change

The questionnaire was developed in two formats: an online version and a paper form for the communities where there access to internet or electronic devices is not widespread.

The process took two months to complete starting with a stakeholder mapping exercise developed at each jurisdiction. Almost four hundred people were engaged in the initial consultation, with approximately 25% of these providing complete responses. The results of the stakeholder consultation were combined with management's assessment of the potential economic, environmental, and social impacts of each of these aspects to develop our materiality assessment chart.

# Health & Safety

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

[Martin Wafforn, VP Technical Services](#) | Our Board of Directors has approved a Health and Safety policy that details the specific actions to be taken in order to fulfil this commitment. Management is tasked with implementation and regularly reports to the Board's Health, Safety and Environment Committee on compliance with the policy.

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

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

We train our supervisors and managers in safety leadership and conduct many hours of formal and informal safety training throughout each year. We are particularly proud of the 218 employees who have volunteered to be active members of our mine rescue and emergency response teams.

## Total Accidents & Frequencies

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

Over the past few years, we've dedicated a lot of time and effort at improving the health and safety standards of all our underground mines.

Some of these mines are old and complex, making it difficult to change existing traditions and cultural practices that often go against Company health and safety standards. Despite the challenges, we started by implementing technical improvements in ground support methods then enforced simple standards like “one meter advanced, one meter supported” and embarked on a Company-wide program of training and safety audits. After more than a decade of constant dedication to safety, we have achieved impressive results for our employees and contractors, their families, and all Pan American stakeholders.

### Health and Safety Auditing

On an annual basis, each one of our operations undergoes a health and safety audit, with those results being reported as they become available to our Board of Directors and management committees. Formal audits at Huaron, Morococha, San Vicente and Dolores are conducted every year, and at La Colorada, Alamo Dorado, and Manantial Espejo every other year, with smaller audits conducted on the off years. Findings are divided into A, B, and C categories depending on their severity, and reported and managed accordingly. We use these audits to check the quality of the work that we are doing and to drive continuous improvement at our operations.

### 2014 Safety Targets and Performance

In 2014, the board established the following performance targets:

#### Lost Time Injury Frequency of 1.70

Throughout all of our operations and projects, there were 21 lost time injuries in 2014 and a total of 18.3 million hours worked resulting in an LTIF of 1.14 which exceeded the target set by the Board of Directors.

By using 1,000,000 in the numerator, this calculation represents an approximation of the number of lost time injuries per 500 employees over the year. On a 200,000 hour basis, which is often used in the industry, Pan American’s LTIF would equate to 0.23.

## Lost time Injury Severity of 800

Throughout the Company in 2014 there were 6,554 lost workdays, which resulted in an LTIS of 357 (on a 200,000 hour basis the LTIS would be 71), which exceeded our target for 2014.

Pan American utilizes a system prescribed by the Peruvian Mining Ministry in order to assign lost workdays to severe accidents. In this system, a fatal accident is assigned 6,000 lost workdays

We continue to work hard to earn our reputation for excellence in Safety and believe that these statistics compare well to our peers in the mining industry.

## Eliminate Fatal Accidents

A single fatal accident occurred during the year at the Huaron mine on July 16th, 2014.. As Geoff Burn's highlighted in his letter, the accident was thoroughly investigated and analyzed by safety professionals, engineers, managers, and executives, and following that review, we began implementing additional measures to prevent similar occurrences in the future. We also initiated a program to provide training in the causes of oxygen deficiency and the danger of exposure to oxygen deficiency and other gases that may be present in the mine. In 2015, we will continue to strive to eliminate fatal accidents at all our operations, and to continue to improve our health and safety standards and training efforts.

## Health & Safety Awards

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

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

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



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

Morococha, First Place (Underground mining category)

Alamo Dorado became the first mine in Company history to achieve 5 million man hours worked without a Lost Time Injury

Dolores surpassed Alamo Dorado's world-class record and became the first mine in Company history to achieve 6 million man hours worked without a Lost Time Injury

## 2015 Goals

Zero Fatalities

Lost Time Injury Frequency (LTIF) goal – 1.60 or lower

Lost Time Injury Severity (LTIS) goal – 750 or lower

# Our People

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

[Sean McAleer, VP Human Resources & Security](#) | First and foremost, we want to ensure a safe, efficient, and productive workplace. Despite the challenges of declining metals prices in 2014, our safety record remained a priority and we continued investing in developing our leaders at all levels. Safety achievements are of primary importance to us, as we believe that a safe workplace is the foundation to successful production at our mines and projects. Furthermore, investing in leadership development is key to maintaining a culture of safety. If our leaders set the example and set the right tone, our employees and contractors will follow.

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

Last year, each of our operations invested in improving camp and living conditions,

## maintaining an environment free of discrimination, and providing a more family-friendly workplace.

The challenges of shift work are unique – with the interruption of sleep schedules, travel to and from the site, and being away from the family. Our human resources teams have provided exceptional service to our employees, and have offered a number of wellness programs to help employees deal with stress, substance abuse, and other general health issues.

Another challenge we face is to create a motivating workplace. When faced with the daily challenges of running a mine or a project, our employees are fortunate to have opportunities to solve unique problems, overcome obstacles, and work with a diverse team. With several remote mines, weather presents a considerable challenge at different times of the year – challenging our operating process, requiring our teams to develop special procedures for supply operations, or implementing safety and emergency procedures.

# 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

At Pan American Silver we believe we can be a force for positive change and that we can make a constructive impact to improve the quality of life in the communities and areas where we operate.

Monica Moretto, Senior Manager, Corporate Affairs and Social Responsibility |

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

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

We continued our efforts to improve our sustainability reporting framework in order to comply with the Global Reporting Initiative G4 format. We adopted the G4 format in 2013 and in 2014 we remained committed to continually improve our consultation practices and materiality assessments.

## Moving Forward

In 2015 we will continue to focus on improving our management systems and increasing the efficiency and benefit of our community investments. In particular, we will focus our work on improving our social impact measurement tools with a focus on children and social risk. We are also currently working towards increasing our local procurement practices to

help stimulate local economies and maximize the positive economic impact that our operations have on local communities.

### Collaborating with Canadian and International NGO's

It is our goal to improve and develop our social responsibility practices and be constantly on the lookout for new, innovative and globally recognized tools that can continue to improve the work we do in the communities and help align it with Company values. During 2014, we had the opportunity to work with Engineers Without Borders (EWB), a not-for-profit organization that focuses on promoting social development through systemic approaches and non-conventional solutions in order to alleviate poverty. One of EWB's focus areas is reporting on local procurement practices, which we believe is an important part of our overall CSR strategy. We worked together to improve our local supply reporting and will continue this process in 2015. In the Local Expenditures page ([LINK TO PAGE](#)), you will find further detail with regards to the current breakdown of Pan American's economic impact by region.

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

Another milestone for Pan American in 2014 was establishing a partnership with UNICEF Canada. The primary concern of UNICEF is improving social development practices or policies that address children's rights, in the belief that every child, regardless of circumstances or socioeconomic background, has the right to grow and thrive ([UNICEF](#)). In 2014, we collected new information from our operations and the local communities, which will help to report on new metrics that measure the impact of our business in local children and young adults.

## Cultural Heritage

As one of the aspects deemed as material by our stakeholders, we will be working to develop structures to better recognize and foster respect for cultural heritage in our CSR programs company-wide.

# Social Development Strategy

Pan American supports a variety of programs with the purpose of improving health care and education in the communities surrounding our operations. These programs are integral to our social responsibility strategy.

Our approach to social development is based on:

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

## Health Programs Update

In 2014 we continued to support medical campaigns around our local communities. Our primary focus this year was on children and women’s health, and we were able to increase consultations by close to 35% at 41 communities surrounding our operations. However, we did not relent on our efforts in other programs, and we are pleased to report that the “healthy living” program has now been running for four years, focusing on improving living conditions, hygiene and household organization in the communities where we operate in Peru.



During the year we also held special workshops that focused on domestic violence, addictions and youth related issues at our communities in Mexico, Peru and Bolivia. These programs have helped raise awareness in the communities, working jointly with other children and youth programs that also helped to develop greater understanding of the potential issues.

In Peru, we concentrated our assistance towards nutrition programs for children, maternal health campaigns, vaccination campaigns, women's health campaigns, and on improving access to medical assistance and treatment. We were also able to provide access to general practitioners, dentists, pediatricians, optometrists, obstetricians, emergency services, lab and radiology services and prosthetics at the communities near both Huaron and Morococha.

In Bolivia we focused our efforts on parasite checkups for children, and our yearly dental campaign that benefited almost six hundred children this year alone. Additionally, our mine staff doctor visited all eleven communities surrounding San Vicente, and provided medical care to many patients who have limited or no access to health care.

At Manantial Espejo in Argentina, we are donating special equipment to the pediatric pavilion at the local hospital in Gobernador Gregores that will help improve the quality of service there.

At our Dolores mine in Mexico, doctors and health care practitioners funded by the company attended to 1200 consultations with a particular focus on children up to five years old and women from 15 to 48 years old. Additionally, Dolores provided free mammograms and pap smears for women, and influenza vaccination for the general population during the winter months. We are also pleased to report that this year our social workers held the first workshop on addictions at the Dolores community of Arroyo Amplio. At the Alamo Dorado mine, also in Mexico, our doctors attended to 800 consultations at the nine communities surrounding the mine.

## Education

We believe that education is the pillar of every sustainable development plan, as it prepares the members of the community for future success. For

this reason, we've contributed to certain education programs over the years, and provided not just logistical support to local schools, but also economic support where deemed beneficial. In certain situations, we help to supplement teachers' wages, or support workshops intended to improve quality of education, and provide school supplies and uniforms.

## Pan American has an ongoing commitment to continue working with the local schools and support education programs at all levels.

Access to post-secondary education is also very important. Unfortunately it is often the case that in many of the rural mine-site communities in Latin America, high school graduates are offered scholarships at regional or national universities for careers that offer no employment opportunities in their home towns. Once graduated from University, many of the students are then unable to find good employment opportunities in their local communities. This can affect long term economic growth of the community. To address this issue in Bolivia and Peru we have consulted with psychologists and career advisors, in order to help our local CSR teams to provide career planning advice that guides young adults in making informed choices when selecting post-secondary careers. This coaching process is intended to help young adults understand professions of high local demand and can help contribute to the long term economic development of the local communities.

Pan American has an ongoing commitment to working with the local schools and support education programs. Through our partnership with ICHEA (Instituto Chihuahuense de Educacion para Adultos) in the State of Chihuahua Mexico, we help to provide adults with the opportunity to complete their primary and secondary education. We have provided support for many adults to learn how to read and write, a first step for these community members to better their lives. The goal at Dolores is to achieve a 100% literacy rate in the Arroyo Amplio community by continuing to provide literacy workshops into the future.

Additionally, through our partnership with ICATECH (Instituto de Capacitacion para el Trabajo del Estado de Chihuahua) also in the State of Chihuahua Mexico, we provide support for courses to the community members of Arroyo Amplio in the following areas: baking, cooking, carpentry, and furniture fabrication. By participating in these courses, community members are able to improve upon their skills, allowing them to capitalize on better employment opportunities or expand their businesses.

As part of our commitment to education, Pan American Silver supports local schools surrounding our operations in Bolivia, Mexico and Peru, which includes occasionally donating backpacks, uniforms, and school supplies, as well as supplementing teachers' education, wages, and living expenses in certain situations. We also awarded 74 scholarships to students studying careers such as medicine, mine engineering, business administration, and accounting – all careers that can be in high demand in their vicinity.

# Country & Project Updates

Pan American believes that community well-being can be enhanced by providing assistance to help them discover and develop long-term initiatives specific to their unique circumstances.

## Bolivia

In 2012, our Bolivian team created a one-of-a-kind initiative to benefit 11 communities in the region of Potosi surrounding our San Vicente mine. This sustainable development program, called Project Access, was designed in partnership with the Canadian Department of Foreign Affairs, Trade and Development (formerly CIDA), and is a three-year program that will help to improve the lives of 350 families dedicated to llama breeding. A Canadian NGO, the Society for Cooperation in International Development (SOCODEVI) and our CSR team at San Vicente are managing the execution and progress of Project Access. Project Access' three areas of focus are the following:

- Developing improved llama breeding skills
- Strengthening the local Llama Producer's Association, and
- Improving marketing and commercial strategies that will contribute to the development of a successful llama breeding business.

The first year of Project Access was focused around the social support of the project, which entailed presenting the project to the communities and working to involve the families. To date, 220 families are engaged in the project and we anticipate surpassing the original goal of 350 families within the next year.

In 2014, after analyzing the concerns and needs of the communities, Project Access was able to further define its focus and achieve the following deliverables:

- Twenty-four leaders were chosen (14 men and 10 women) who will help guide the project and provide support for other participants. These leaders undertook additional specific training.
- The communities of Cocani, Cieneguillas, Viacha and Cerrillos begun to sow a portion of the 3000 kg of fodder needed to supplement animal feeding throughout the winter months
- A training program was developed that focuses on developing a better understanding of the products that can be sourced from llama breeding, the correct use of pastures, and other general agricultural techniques. The community leaders selected to guide the project will be in charge of providing this training program to other community members.
- Options to build a slaughterhouse for the use of the communities involved in Project Access were studied, as well as different strategies for marketing and commercialization of llama products. A project to implement the best strategy is expected to be approved in 2015.

Through our partnerships with Canadian and Bolivian organizations, we were able to develop this incredible project that continues to evolve and strengthen, while achieving our primary goal of developing a sustainable future for the communities that host our San Vicente mine.

In addition to Project Access, the local CSR team has also been working on the following sustainable development projects:

- A trout farm project in the community of Chilco that is now in its second year and recently made its first shipment of trout. The project leaders are now planning to purchase additional fingerlings to grow the trout population.
- Greenhouses are being built in each of the communities. Four greenhouses have already been built in the communities of Viacha, Cerrillos, Loma Colorada and Portugaleta, and our goal is to build greenhouses at all eleven communities. The greenhouses will support a nutrition program that will focus on improving family diet, with a particular focus on children's nutrition.
- An artisanal weaving workshop was inaugurated in 2013 and continued to progress during 2014. With twelve looms, we have so far trained twelve women and two men from the local community in the art of

weaving llama and alpaca products. The next step is to develop a marketing strategy to sell the alpaca and synthetic products locally and in the surrounding communities.

## Peru

### UQLLU – Alpaca de los Andes

UQLLU is a unique sustainable development project that started ten years ago as the “Alpaca de los Andes” weaving workshops. Fifty female artisans from the communities near our Peruvian mines are currently provided with the equipment, tools, supplies, training, support and safe work environment needed to create handmade woven products from the finest Alpaca fibers. The artisans receive a fair price for their creations, far above the rate of other local weaving businesses, giving them the opportunity to provide an income for their families and benefit their communities. For more information about Uqllu’s social impact, please visit the project’s website at [www.Uqllu.com/about/social-impact/](http://www.Uqllu.com/about/social-impact/).

In 2015 we plan to support North American marketing activities through product sales and further assist groups of artisans in Peru to commercialize their products locally. The Alpaca de los Andes workshops will continue to be a staple of the programs we offer to the communities surrounding Huaron and Morococha, and during 2014 the workshops took in new artisans that were provided weaving and business skills training. We are also helping the artisans obtain weaving certification, which will improve the commercialization and marketing opportunities for their alpaca products in Peru.

### Huayllay Project – Alpaca and sheep breeding

Huaron’s CSR team and a local expert have developed an animal health and breeding project to help 700 community members and their animals in the areas of Condorcayan, San Carlos, Canchacucho, Leon Andacancha and Huarimarcán. This project addresses the problem of local alpacas and sheep developing congenital disorders, due to the lack of new animals being introduced into the herd as a result of the poor management practices and limited funds of the small producers. Additional challenges the producers

face are limited access to veterinary care services such as vaccinations and deworming. The first stage of this program consists of

- Animal categorization and registration to help avoid interbreeding
- Neutering animals that have disorders preventing them from reproduction
- Parasite control and vaccinations
- Training of community members in appropriate animal health care and breeding practices

These first steps will continue throughout 2015 and 2016 until the alpaca and sheep population show positive signs of growth. At that point we plan to advance to the second phase that will include exploring possible marketing strategies.

### Guinea Pigs Project

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

The project's primary goals for the project are:

- The creation of a greenhouse to grow hydroponic crops
- Selection of seeds suitable for the project
- Training on parasite control and vaccinations
- Guinea pig registration and tracking

### Mexico

#### Dolores Mine

During 2014 Dolores received the Socially Responsible Company Certification (ESR) from the Mexican Center for Philanthropy (CEMEFI) for

the sixth year running. Over the past year, our local CSR team continued improving upon our innovative social programs targeting the over 130 families living in Arroyo Amplio the main community in Ejido Huizopa.

Arroyo Amplio is located right next to the Dolores camp, a situation that creates a unique relationship with the community members. During 2014, we continued improving the roads to Madera and other nearby communities, provided materials for housing construction, and added a civil engineer to our team that focuses on urban development projects in Arroyo Amplio.

### Local Procurement

Over the past few years, we have been working hard to provide better and more accurate measures of the impact our procurement services have in the communities where we operate. There is more information regarding the estimated impact in the Economic section of this report.

**At Dolores, over the past couple of years we helped to develop 14 service companies that provide economic opportunities to those not directly employed by the mine.**

We continue to assist the development of 14 service companies at Dolores 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 sub-contractors. We are primarily focusing our attention and expertise on training and growing the local supply chain, specifically in areas such as strategic alignment, legal issues, budget and cost control, and health and safety practices. The objective is to help these companies develop regional businesses and to be able to compete with other established companies for contracts at other operations, rather than depending entirely on the Dolores mine for their survival. Our CSR team will continue to work during 2015 on building the capabilities of these new businesses.



We also took the first steps towards a new ranching program in 2014 that will help the local community develop an appropriate local alternative to mining. The project is open to all community members and started with company contributions to the purchase of animal fodder, 5,000 liter water tanks, and the groundwork necessary for the next steps of the program. This program also received funds from the State of Chihuahua, that has helped focus the sustainability strategy of the region on supporting local food growers.

## Argentina

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

During our 2014 stakeholder consultation, the local hospital expressed their need for equipment for the children’s pavilion. After evaluating the request, we decided to help the hospital and will provide the necessary equipment in early 2015.

# Community Development Initiative Toolkit

For many years, we have been an industry leader in developing and implementing sustainable development programs that contribute to the economic and social development of local communities and regions.

With the Community Development Initiative Toolkit (CDI Toolkit), Pan American Silver has developed a practical guide to evaluate new CSR projects, and establish clear goals that will help during the implementation and management of each project. The toolkit will serve as a benchmark to help determine whether sustainable development programs are a good fit for both the Company and local communities. In line with this purpose, the toolkit is designed to incorporate the perspectives of local communities through feedback and participation in stakeholder engagement exercises and ensure programs contribute to and are compatible with the development needs and priorities of these communities. The CDI Toolkit is composed of five steps that include a Project Overview, a CDI Worksheet, a Competencies Assessment, a Partnership Assessment and a Social and Economic Indicator Worksheet - which will help teams develop specific indicators to measure the success of a given sustainable development project. Finally, the guiding theme of the CDI Toolkit is sustainability and each program is considered in terms of its own sustainability over time and its ability to contribute to long-term development within communities.

The CDI Toolkit represents only one of many steps Pan American Silver is taking to help build the capacity of local communities and to include them in important decisions that affect their sustainable development. During 2015, we will be testing this toolkit in each country to evaluate its efficiency, and make any necessary changes in order to assure the success of this evaluation tool.

# Corporate Giving Committee

Pan American Silver supports non-profit organizations providing healthcare, shelter, and education to children, the disadvantaged or underserved communities in the Vancouver area.

[Pamela De Mark, Director, Resources and Corporate Giving Committee Chair](#) | Our support is given in the form of cash and material donations, fund raising, and employee participation. At least one of our employees personally champions each of the causes we support, which has resulted in a more meaningful engagement with the organizations in our community and has further strengthened our commitment to help. We prioritize causes where our support can provide the greatest impact on as many individuals as possible. Homelessness in Vancouver is an especially visible issue in the downtown area, and much of our support goes towards supporting homeless shelters.

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

## [Hockey Helps the Homeless](#)

Hockey Helps the Homeless organizes fantasy hockey tournaments with former NHL players to help fund 42 homeless support agencies, which provide shelters, survival kits, transitional housing projects, and return-to-work training programs for homeless people. Pan American provided financial support and a volunteer employee to fundraise and participate in the hockey tournament, which raised over \$400,000 for local homelessness support charities.

## Vancouver General Hospital

Pan American Silver provided financial support to Vancouver General Hospital's Burns, Plastic and Trauma Unit, which provides care to critically injured British Columbians. The unit provides training to medical residents and is equipped with a laboratory for researchers and clinicians. The care team includes plastic surgeons, nurses, therapists, and social workers, who will use the funds for innovative medical equipment and research.

## 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. Many of 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 financial support 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 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.

**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.**

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 2014, Pan American Silver provided financial support for a poultry project. UBC Farm's research had shown that free-choice feeding of pastured laying hens resulted in an 8% overall increase in revenue. Pan American's funds were used to purchase a sustainable pastured-poultry demonstration flock and to support teaching, demonstration, and research related activities. Over 400 UBC undergraduate students engaged with the flock, learning about the role and importance of animals in sustainable agricultural systems, and over 1,000 primary and secondary students and youth interacted with the chickens through the Farm's children's program curricula and tours. Over 1,000 dozen eggs were produced and sold at the Farm's markets or used in farm programming during the year.

During the summer, Pan American employees and their children assisted the Farm with the blueberry harvest, while learning how blueberries grow and how to pick and sort through the ripe berries.

### **Habitat for Humanity**

Habitat for Humanity's mission is to mobilize volunteers and community partners in building affordable housing and promoting homeownership as a means to breaking the cycle of poverty. Pan American provided financial assistance in support of the Women Build – Power Women, Power Tools, an event which brought together 400 women from the Vancouver area to build 6 detached homes over ten days.

## 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 financial assistance provided transport, tickets, and activities for a busload of underprivileged children from two schools in Vancouver 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 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.

# Environmental Management

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

*Matt Andrews, VP Environment and Sustainability* | At Pan American we recognize not only the intrinsic and ethical importance of caring for the environment, but also the real tangible value that responsible mining brings to our existing and future stakeholders. Our experience has shown that creating value through sustainable development also allows us to attract the best professionals in the industry and to find creative ways to reduce our operating and project costs. This strategy is an evolving platform that includes taking a precautionary approach in mine design and making adjustments based on monitoring the results of our environmental procedures and controls, and the feedback from employees, local communities, government, and non-government organizations.

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

## Our Sustainable Development Framework

Leadership on sustainable development strategy is provided by our Board of Directors, Chief Executive Officer, and the Board's Health Safety and Environment (HSE) Committee that actively reviews our performance on a quarterly basis. Pan American's Chief Operating Officer is responsible for environment and sustainability and senior management participates directly in overall strategy through the Sustainable Development Management Committee that has key managers from the corporate office and all four country managers as members. Both the HSE and Senior Management Committees review policy documents and internal procedures. In 2014 the committees approved the Community Development Toolkit, and reviewed progress on developing a corporate environmental management framework and our 2014 stakeholder engagement program.

In terms of overall environmental performance, in 2014 Pan American was successful in maintaining 2013's record of zero "Significant Environmental Incidents" (SEI), an internal metric that represents incidents that negatively impact the environment, communities, or our reputation beyond the mine site.

## Environmental Management

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

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 design alternatives in order to determine the optimum solution, always aiming for a net benefit.

**In 2014 Pan American was successful in maintaining 2013's record of zero "Significant Environmental Incidents" (SEI), an internal metric that represents incidents that negatively impact the environment, communities, or our reputation beyond the mine site.**

In 2014 we advanced the development of environmental management systems (EMS) at both the corporate and operations levels. Building upon the update of the Pan American Silver Environmental Policy in 2013, we conducted the planning step of EMS development where we defined the Environmental Aspects of our business.

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 2014.

We recorded two spills at our Huaron mine in 2014. 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.

### **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 2014, 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, except a land use claim related to our Alamo Dorado mine which is discussed under GRI Indicator G4-MM6.

# Water

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

## Water Conservation and Protection

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. Higher rainfall at Dolores and the additional water capture provided by increased leach pad surface area and a water dam upstream of the pit allowed significant reductions in overall usage of fresh water from the nearby river at the mine in 2014.

# Environmental Monitoring & Mine Closure

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.

## Monitoring and Continual Improvement

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 operations to ensure optimum environmental performance. Staff from our mines participate in the audits which improve integration and consolidation of company-wide standards. In 2014, audits were conducted at Morococha, Huaron, and San Vicente. The 2014 audits showed significant improvements at all three mines since the previous audits in 2012, with the number of non-conformances reduced by more than 50% in all cases. We also conducted follow-up visits to assess progress with the implementation of corrective actions at Alamo Dorado, La Colorada, Dolores, and Manantial Espejo which were audited in 2013.

## 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 detailed review of techniques and costs for revegetation of waste dumps and tailings dams, resulting in increased confidence in our long-term

closure planning strategies. A summary of the 2014 closure cost estimates for our mines is shown in the following graph.

All our mines have conceptual closure plans in place, and formal bonded closures 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 nearest 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.

# Energy Efficiency

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

We are endeavouring to minimize our Greenhouse Gas emissions by improving energy efficiency and incorporating integrated grid or considering renewable energy sources into our energy matrix where possible. The Dolores mine grid connection project advanced in 2014 with a new route selected from Chihuahua State. Construction of the power line is expected to commence in 2015 and will provide significant operating benefits, reduce energy use intensity and greenhouse gas emissions, as well as provide important long-term infrastructure for the communities near the mine. We also advanced on a project to increase grid-supplied energy to our La Colorada mine to ensure efficient energy provision to the mine expansion that is currently under way.

# Tailings Management Facilities

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

In 2014 we completed a process to standardize our internal procedures for periodic review of TMF safety during operation. The reviews concluded that all our operating tailings facilities are designed, built, and operated according to international best practice. The process also allows us to standardize reporting methods across the Company to ensure comparable records of TMF safety parameters are available at any given time. In an effort to benchmark our internal TMF safety reviews, an independent external consultant was engaged to review the TMF at Huaron, our facility with the highest potential consequence rating according to the Canadian Dam Safety Guidelines. This independent review concurred with the internal review and provided some recommendations for optimizing future dam designs to improve efficiency and ensure dam safety.

We worked on expansions of our operating TMFs at Huaron, La Colorada, Alamo Dorado, and Manantial Espejo. TMF design and construction quality assurance and control are always completed using independent, certified engineering consultants.

In 2014, additional reclamation and maintenance of reclaimed tailings was conducted at La Colorada and Huaron. At San Vicente we continued a project to remove and remediate ore stockpiles left by a previous operator that affect the river near the mine in response to concerns from the local community. A cut-off trench was installed in 2014 to intercept filtration from below the tailings for diversion to our mine's water treatment plant, and we continued to reprocess portions of the historic ore stockpiles.

# Financial Review

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

## Financial Strength

**Rob Doyle, Chief Financial Officer** | The past three years have been especially difficult for mining companies, with unprecedented volatility in markets that impact our business and significant changes in the regulatory and tax environments in which we operate. During this time, we have endeavored to manage the Company to ensure that we maintain sustainable economic performance and a strong financial position, which is critical to all stakeholders. Balancing the varying interests of our stakeholders during challenging economic times is no easy task. This often entails difficult decisions related to staffing levels and benefits, tough negotiations with key suppliers and service providers, constant scrutiny of our ability to return value to shareholders, and austerity measures around discretionary spending. Declining margins in our business have also meant that our contributions to tax revenues for local and national governments have decreased. While all stakeholders have felt the effects of falling metal prices, Pan American Silver's continued financial strength and stable operational performance allows us to continue to be:

- A dependable employer that provides well-paid jobs to thousands of people, who can be confident in the Company's long term economic viability
- A reliable customer to tens of thousands of vendors and contractors, who can expect fair treatment
- A sound investment opportunity for investors, who can expect a return on the capital required to finance our business



- A trust-worthy partner to governments and local communities, capable of contributing meaningfully to the economic and social development of a region.

Through all the turbulence of 2014, Pan American reduced our debt load (total debt of only \$60.4 million at December 31, 2014, down from \$64.6 million the year before) and we did not receive financial assistance from any government organization.

## Revenue

Revenue was \$751.9 million in 2014, a decrease of 9% over 2013 revenue, driven primarily by lower realized metal prices (other than for zinc), partially offset by higher quantities of gold and base metals sold. Approximately 81% of the Company's revenue was attributable to the sale of silver and gold in 2014 (2013 – 87%).

## Profitability

The Company was able to achieve a gross margin (mine operating earnings/revenue) of 1% with mine operating earnings of \$8.1 million in 2014, despite lower realized metal prices, negative price and quantity adjustments of \$15.0 million related to provisionally priced sales and a \$30.0 million negative adjustment for the net realizable value of in-process inventories. This compared to a gross margin of 16% achieved in 2013. An adjusted loss<sup>(1)</sup> of \$20.8 million was recorded in 2014 or \$0.14 per share, compared to an adjusted loss of \$42.8 million recorded in 2013.

## Operating Cash Flow and Working Capital Position

After paying income taxes of \$33.1 million (2013 – \$98.0 million), cash flow from operations in 2014 was \$124.2 million compared to \$119.6 million in 2013. Our operating cash flow in 2014 was not quite sufficient to fund all of the Company's capital programs of \$136.4 million, which required us to drawdown on our large treasury balances. The Company remained in a very strong financial position at the end of 2014 with cash and short term investment balances of \$330.4 million and a working capital position of

\$522.7 million at December 31, 2014, a decrease of \$166.4 million from a year ago. Total debt stood at only \$60.4 million at the end of 2014.

### Return of Value to Shareholders

Pan American Silver's stable operating and financial performance and robust financial position allowed for the continued return of value to shareholders in 2014 by way of \$75.8 million in dividend payments. Since 2010, we have returned \$357.0 million to our shareholders through dividends and share buy-back programs.

<sup>1</sup> Adjusted earnings (loss) is a non-GAAP measure. Please refer to the Company's Management's Discussion & Analysis for the year ended December 31, 2014, under the heading "Alternative Performance (non-GAAP) Measures" for a detailed discussion of this measure.

# Local Expenditures

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 2014, in spite of very challenging market conditions. In addition to the sums that we pay in salaries, taxes and other fees, we maintain an established practice of supporting local economies through our supply chain and the use of local providers of goods and services, whenever it is possible and practical. We work closely with local communities to support their capacity to actively participate in the supply chain we need for our operations, and to help them develop self-sustaining economies.

In previous years we reported our spending broken down into three geographical areas; “local”, “national”, and “international”. In 2014, we expanded the reporting to add the additional geographical area of “regional”. The introduction of this additional geographical category is intended to reflect expenditures that are outside of the local communities surrounding the mines; a larger geographical area which includes entire provinces or states where the mines are located and where significant economic and social influence exists. We defined “regional” on a mine-by-mine basis by assessing the specific social and economic circumstances and influences of each of the mines, whereas local reflects only expenditures in communities directly related to the mine. The national category includes all other areas within each of the countries that are excluded from either local or regional.

As we did in prior years we focused on four main cost items: wages, supplies and services, taxes, and royalties. These cost items are reflected within the following income and cash flow statement line items: cost of sales, capital expenditures, royalties, taxes paid, exploration expenditures and general

and administrative expenditures. The contribution to local communities continued to be significant in 2014, up to 15% of the total spending, compared to 13% in 2013. An additional 31% of our spending occurred within the regional area of our mines, bringing the spending in local and regional economies to almost half of total spent in 2014. Importantly, of the \$795.4 million spent in 2014, 90% (2013 – 94%) was spent within the same countries where the operations are located. In the coming years, we hope to continue to strengthen the benefits to local economies by helping viable businesses to grow and improving the supply chain, so that an increasing proportion of our expenditures can continue to be destined to local and regional businesses so long as it also improves the efficiency of our business. We believe that strong relationships within our communities, and helping local entrepreneurs grow along with us, will increase value for all of our stakeholders. This approach has been, and will continue to be, an integral part of Pan American Silver's success.

# Global Reporting Initiative Indicators

This is Pan American's sixth annual sustainability report, prepared in accordance to "Core" as per the Global Reporting Initiative (GRI) G4 sustainability reporting framework. Last year's sustainability report was Pan American's first year reporting with GRI's new G4 framework, making it a year of transition. As we progress through our second year of reporting using this new framework, we were able to strengthen our data collecting and reporting practices, becoming more efficient in these systems throughout our operations. Additionally, as with previous years, we are reporting in line with the GRI Mining and Metals Sector Guidance supplement.

## General Standard Disclosures

### **Strategy & Analysis**

G4-1 – Statement from the most senior decision maker

[Chairman's Letter](#)

G4-2 – Description of key impacts, risks, and opportunities

[About This Report](#)  
[The Year in Review](#)

## **Organizational Profile**

G4-3 – Name of Organization

[About This Report](#)

G4-4 – Primary brands, products and/or services

[About This Report](#)

G4-5 – Location of the organization's headquarters

[About This Report](#)  
[Operations and Projects Map](#)

G4-6 – Number of countries where the organization operates

[About This Report](#)  
[Operations and Projects Map](#)

G4-7 – Nature of ownership and legal form

[About This Report](#)  
[Governance](#)

G4-8 – Markets served

[About This Report](#)  
[Financial Review](#)

## G4-9 – Scale of the reporting organization

### [About This Report](#)

## G4-10 – Scale of the organization

### [About This Report](#)

	Admin	Geology	Engineering	Labour	Total	Contractors	Total Employees and Contractors
<b>Employees</b>							
Canada – Vancouver Corporate	24	6	8	0	38	1	39
Peru	57	0	0	0	57	0	57
<b>Offices (off Mine Site)</b>							
Exploration	0	6	0	0	6	0	6
Huaron	91	9	34	806	940	813	1,753
Morococha	130	10	8	989	1,137	478	1,615
Pico Machay	0	0	0	3	3	13	16
Total Peru	278	25	42	1,798	2,143	1,304	3,447
<b>Mexico</b>							
Office Durango	33	1	3	4	41	0	41
Office Chihuahua	1	0	2	1	4	0	4
Exploration	1	3	1	0	5	2	7
Alamo Dorado	22	2	32	182	238	52	290
La Colorada	24	9	75	323	616	111	727
Dolores	58	4	81	323	466	475	941
Total Mexico	139	19	194	1,018	1,370	640	2,010
<b>Bolivia</b>							
Offices (off Mine Site)	26	0	0	2	28	1	29
Exploration	0	0	0	0	0	0	0
San Vicente	31	5	66	318	420	158	578
Total Bolivia	57	5	66	320	448	159	607
<b>Argentina</b>							
Offices (off Mine Site)	23	0	0	0	23	1	24
Exploration	0	6	0	9	15	0	15
Manantial Espejo	71	5	89	519	684	102	786
Navidad	10	1	0	36	47	3	50
Calcatreu	2	0	0	3	5	0	5
Total Argentina	106	12	89	567	774	106	880
<b>Total</b>	<b>604</b>	<b>67</b>	<b>399</b>	<b>3,703</b>	<b>4,773</b>	<b>2,210</b>	<b>6,983</b>

#### G4-11 – Percentage of employees covered by collective agreements

	Employees that belong to a Union or Association	% of total employees
La Colorada	508	82.5%
Dolores	323	69.3%
Alamo Dorado	182	76.5%
Huaron	298	31.7%
Morococha	422	37.1%
San Vicente	315	75.0%
Manantial Espejo	506	74.0%

#### G4-12 – Organization’s 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.

#### G4-13 – Significant changes during the reporting period

[The Year in Review](#)

#### G4-14 – Precautionary approach or principle

[Environmental Management](#)

#### G4-15 – External initiatives organization subscribes or endorses

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

#### G4-16 – Memberships or associations, advocacy organizations

##### 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

## **Identified Material Aspects and Boundaries**

G4-17 – Operational structure of the organization

[Organizational Structure](#)

G4-18 – Process for defining report content

[About This Report](#)

[Stakeholder Engagement & Materiality Assessment](#)

G4-19 – List all material aspects

[Stakeholder Engagement & Materiality Assessment](#)

G4-20 – Report the aspect boundaries within the organization

[Stakeholder Engagement & Materiality Assessment](#)

G4-21 – Report the aspect boundaries outside of the organization

[Stakeholder Engagement & Materiality Assessment](#)

G4-22 – Explanation of the effect of any restatements

There were no material restatements of financial or other data in 2014.

G4-23 – Significant changes from previous reporting periods

[The Year in Review](#)

## **Stakeholder Engagement**

G4-24 – List of stakeholder groups

[Stakeholder Engagement & Materiality Assessment](#)

G4-25 – Basis for identification of stakeholders

[Stakeholder Engagement & Materiality Assessment](#)

G4-26 – Approach to stakeholder engagement

[Stakeholder Engagement & Materiality Assessment](#)

G4-27 – Key topics and concerns raised through stakeholder engagement

[Stakeholder Engagement & Materiality Assessment](#)

### **Report Profile**

G4-28 – Reporting period for information provided

January 1, 2014 to December 31, 2014

G4-29 – Date of most recent previous report

Pan American Silver's 2013 Sustainability Report was published in May of 2014.

G4-30 – Reporting cycle

Pan American Silver publishes annual Sustainability Reports.

G4-31 – Contact point for questions

[Contact Us](#)

G4-32 – Location of the standard disclosures in the report

[Global Reporting Initiative](#)

## **Assurance**

G4-33 – Policy for external assurance

[About This Report](#)

## **Governance**

### **Governance Structure and Composition**

G4-34 – Governance structure

[Governance](#)

G4-37 – Process for consultation between stakeholders and the highest governance body

[Governance](#)

G4-38 – How the company defines “independent” and “non-executive” members of the board

[Governance](#)

G4-39 – Indicate whether the Chair of the highest governance body is also an executive officer

[Governance](#)

## **Highest Governance Body's Role in Evaluating Economic, Environmental, and Social Performance**

G4-49 – Process for communicating critical concerns to highest governance body

[Governance](#)

## **Remuneration and Incentives**

G4-53 – How stakeholders' views taken into account regarding remuneration

[Governance](#)

## **Ethics and Integrity**

G4-56 – Organization's code of conduct and code of ethics

[Governance](#)

[Pan American Silver Code of Conduct](#)

## **Specific Standard Disclosures**

### **Economic**

DMA – Disclosure on management approach, including economic performance, goals, policies, and other contextual information

[Financial Review](#)

## Economic Performance

### G4-EC1 – Direct economic value generated and distributed

#### Financial Review

<b>Production</b>	<b>2014</b>	<b>2013</b>
Silver (million ounces)	26.1	26.0
Gold (ounces)	161,500	149,800
Zinc (tonnes)	43,500	42,100
Lead (tonnes)	15,000	13,500
Copper (tonnes)	9,000	5,500
Cash cost per silver ounce <sup>(1)</sup>	\$11.46	\$10.96
Average price per silver ounce (\$US London fix)	\$19.08	\$23.79
Average price per gold ounce (\$US London fix)	\$1,266	\$1,411
<b>Financial (all amounts in million US\$)</b>	<b>2014</b>	<b>2013</b>
Revenue	\$751.9	\$824.5
Net loss	\$(544.8)	\$(445.8)
Adjusted loss <sup>(4)</sup>	\$(20.8)	\$(42.8)
Mine operating earnings	\$8.1	\$131.5
Net cash generated from operating activities	\$124.2	\$119.6
Dividends paid	\$75.8	\$75.8
Shares repurchased	–	\$6.7
Cash and short-term investments at December 31	\$330.4	\$422.7
Working Capital <sup>(5)</sup> at December 31	\$522.7	\$689.0
<b>Stakeholders</b>	<b>2014</b>	<b>2013</b>
Common shares outstanding at December 31 (million)	151.643	151.5
Number of Employees and Contractors	6,983	7,339

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, 2014 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, 2014.
3. 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, 2014.
4. 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, 2014.

#### G4-EC4 – Financial assistance received from government

In 2014 we did not receive financial assistance from any government organization.



## Market Presence

### G4-EC6 – Local hiring

	Senior Management	Total Workforce
La Colorada	100.0%	100.0%
Dolores	64.3%	99.0%
Alamo Dorado	92.9%	99.5%
Huaron	92.9%	99.9%
Morococha	92.9%	99.9%
San Vicente	71.4%	99.0%
Manantial Espejo	64.3%	99.3%

**At December 31th, 2014**

Senior Management Size Estimation in each mine: 14

## Indirect Economic Impact

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

	CSR Investment
La Colorada	\$37,354
Dolores	\$2,602,202
Alamo Dorado	\$2,560,560
Huaron	\$1,028,571
Morococha	\$524,370
San Vicente	\$643,161
Manantial Espejo	\$294,772
Total	\$7,690,992

G4-EC9 – Policy, practices, and proportion of spending on locally based supplies at significant locations of operation

### [Local Expenditures](#)

## Environment

DMA – Disclosure on the management approach, including goals and performance, policy, and other contextual information

### Environmental Management

## **Materials**

G4-EN1 – Materials used by weight or volume

	<b>Ore Processed</b>
La Colorada	471,347
Dolores	6,053,862
Alamo Dorado	1,763,031
Huaron	892,800
Morococha	566,300
San Vicente	316,000
Manantial Espejo	796,886

## **Energy**

G4-EN3 – Energy consumption within the organization

	<b>Diesel (m3)</b>	<b>Gasoline (m3)</b>	<b>Liquified Petroleum Gas, LPG (m3)</b>	<b>Ammonium Nitrate, ANFO (tonnes)</b>	<b>Emulsion (tonnes)</b>	<b>Electricity (MWh)</b>
La Colorada	2,077	185	271	386	214	48,548
Dolores	39,047	1,234	85	5,637	552	–
Alamo Dorado	3,762	395	3,272	603	117	60,920
Huaron	3,454	–	126	436	54	67,273
Morococha	3,187	–	140	397	177	53,526
San Vicente	812	96	–	611	32	12,920
Manantial Espejo	24,476	–	–	1,231	84	–

## Water

### G4-EN8 – Total water withdrawal by source

	Mine dewatering (groundwater)	Other groundwater	Surface water
La Colorada	257,782	-	-
Dolores	750,000	86,427	550,010
Alamo Dorado	25,464	375,124	-
Huaron	-	-	3,178,831
Morococha	200,272	-	2,772,532
San Vicente	373,248	-	107,026
Manantial Espejo	1,281,965	-	-

### Water Use

	Process Plant (Make Up Water)
La Colorada	188,459
Dolores	330,901
Alamo Dorado	375,124
Huaron	3,159,954
Morococha	2,090,712
San Vicente	190,000
Manantial Espejo	520,279

### G4-EN10 – Percentage and total volume of water recycled and reused

	Recycle of process water (m3)	% of Process Water Recycled
La Colorada	298,398	62%
Dolores	9,743,529	97%
Alamo Dorado	3,147,492	89%
Huaron	168,160	5%
Morococha	310,908	13%
San Vicente	576,000	75%
Manantial Espejo	3,114,864	86%

## Biodiversity

G4-EN11 – Operation in protected areas or areas of high biodiversity

### [Environmental Management](#)

None of our operations or projects are located within or adjacent to protected areas or areas of recognized high biodiversity value.

G4-EN12 – Significant impacts on biodiversity

### [Environmental Management](#)

G4-EN13 – Habitats protected or restored

	<b>Total Accumulated Disturbed Hectares at 31 December 2014</b>	<b>Hectares Reclaimed in 2014</b>
La Colorada	165	-
Dolores	544	-
Alamo Dorado	198	0.21
Huaron	290	-
Morococha	59	0.45
San Vicente	52	-
Manantial Espejo	332	-

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

	<b>Total Accumulated Disturbed Hectares at 31 December 2014</b>	<b>Hectares Reclaimed in 2014</b>
La Colorada	165	-
Dolores	544	-
Alamo Dorado	198	0.21
Huaron	290	-
Morococha	59	0.45
San Vicente	52	-
Manantial Espejo	332	-

## G4-MM2 – Total sites requiring biodiversity management plans

### [Environmental Management](#)

All our sites have voluntary biodiversity management plans in place.

## Emissions

### G4-EN15 – Direct Greenhouse Gas (GHG) emissions (tonnes CO<sup>2</sup> eq)

	Diesel	Gasoline	Liquified Petroleum Gas, LPG	Ammonium Nitrate, ANFO	Emulsion	Electricity	Total
La Colorada	5,634	445	411	73	40	21,849	28,453
Dolores	105,920	2,964	129	1,065	104	-	110,183
Alamo Dorado	10,205	949	4,972	114	22	27,417	43,679
Huaron	9,370	-	192	82	10	20,005	29,703
Morococha	8,645	-	213	75	34	15,917	24,883
San Vicente	2,203	231	-	115	6	5,598	8,153
Manantial Espejo	66,393	-	-	233	16	-	66,642

## Effluents and Waste

### G4-EN22 – Total water discharge

	To surface water	To groundwater	To treatment plants or ponds
La Colorada	-	-	4,592,211
Dolores	-	-	24,731
Alamo Dorado	-	-	-
Huaron	-	-	28,581,397
Morococha	-	-	8,114,486
San Vicente	-	-	373,939
Manantial Espejo	-	-	753,306

#### G4-EN23 – Total weight of waste by type and disposal method

	<b>Hazardous or dangerous waste</b>	<b>Non-hazardous inert waste</b>	<b>Domestic waste to landfill</b>	<b>Incineration</b>	<b>Reuse</b>	<b>Recycling</b>
La Colorada	113	350	220	–	50	90
Dolores	561	143	120	–	12	237
Alamo Dorado	111	–	59	–	50	68
Huaron	27	1,026	272	–	3	652
Morococha	42	32	339	–	–	79
San Vicente	12	–	120	–	10	70
Manantial Espejo	596	300	192	–	14	286

#### G4-EN24 – Total number and volume of significant spills

We recorded spills at our Huaron and Dolores mines in 2014. 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.

	<b>Number of significant spills</b>	<b>Volume of liquid or pulp (m³)</b>
La Colorada	–	–
Dolores	–	–
Alamo Dorado	–	–
Huaron	2	82
Morococha	–	–
San Vicente	–	–
Manantial Espejo	–	–

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

	<b>Hazardous or dangerous waste (tonnes)</b>	<b>% of hazardous waste transported internationally</b>
La Colorada	113	0%
Dolores	561	0%
Alamo Dorado	111	0%
Huaron	27	0%
Morococha	42	0%
San Vicente	12	0%
Manantial Espejo	596	0%

G4-MM3 – Total amounts of overburden, rock, tailings, and sludges

	<b>Tailings not used as hydraulic backfill (dry tonnes)</b>	<b>Waste rock not used as backfill</b>	<b>Water treatment sludge</b>
La Colorada	411,233	–	2
Dolores	–	35,784,834	2
Alamo Dorado	1,762,907	4,958,226	1
Huaron	688,626	304,180	25,285
Morococha	438,024	973,382	5
San Vicente	312,621	30,342	250
Manantial Espejo	796,762	6,294,576	2

## **Transport**

G4-EN30 – Significant environmental impact of transporting products

[Environmental Management](#)

Environmental Grievance Mechanisms

G4-EN34 – Number of grievances about environmental impacts

[Environmental Management](#)

## Social

DMA – Disclosure on the management approach, including goals and performance, policy, and other contextual information

### Our People

## **Labour Practices and Decent Work**

### **Employment**

G4-LA1 – Total number and rate of employee turnover

	Employees	Turnover Employees	Rate	< 30 Men	30 < Men < 50	> 50 Men	< 30 Women	30 < Women < 50	> 50 Women
La Colorada	616	64	10.4%	8	43	10	1	1	1
Dolores	466	64	13.7%	13	42	5	2	1	1
Alamo Dorado	238	77	32.4%	20	40	7	4	6	0
Huaron	940	127	13.5%	42	72	8	2	3	0
Morococha	1137	328	28.8%	105	211	9	0	3	0
San Vicente	420	31	7.4%	8	20	2	0	1	0
Manantial Espejo	684	99	14.5%	26	46	16	6	4	1

#### **At December 31th, 2014**

Turnover consider dismissals and resignments

Alamo Dorado includes programmed personnel reduction

## **Labour/Management Relations**

G4-MM4 – Number of strikes and lock-outs exceeding one week's duration

A union work stoppage occurred at our San Vicente mine from July 7 until July 21st, 2014 affecting all production activities. The strike was related to a dispute over senior management changes at the Company's subsidiary, Pan American Silver Bolivia. The Company was able to reach an amicable solution to the matter with union representatives and all interested parties, resulting in no material impact to the mine's 2014 production.



## Occupational Health and Safety

G4-LA6 – Rates of injury, occupational diseases, lost days, and number of work-related fatalities

### [Health and Safety](#)

	Lost Time Injury Frequency	Lost Time Injury Severity
La Colorada	0	0
Dolores	0	0
Alamo Dorado	0	0
Huaron	0.97	1,465
Morococha	1.65	33
San Vicente	4.69	181
Manantial Espejo	1.76	49

G4-LA7 – Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious issues

### [Health and Safety](#)

## Training and Education

G4-LA9 – Average hours of training by subject

	General Safety	Mining Induction	Geotechnical	Formal Safety Meetings	Mine Rescue	Total
La Colorada	194,016	18,940	247	2,267	1,811	45,033
Dolores	80,501	18,450	6	1,410	6,558	106,925
Alamo Dorado	7,537	1,362	–	1,016	2,724	12,639
Huaron	194,016	54,313	2,367	1,492	1,037	253,225
Morococha	107,775	17,401	2,564	9,264	2,788	139,792
San Vicente	2,846	738	–	1,755	2,651	7,990
Manantial Espejo	5,504	850	–	269	2,430	9,053

## **Diversity and Equal Opportunity**

G4-LA12 - Composition of governance bodies and breakdown of employees according to indicators of diversity

### [Organizational Structure](#)

## Human Rights and Policies

### **Freedom of Association and Collective Bargaining**

G4-HR4 – Operations where the right to exercise freedom of association and collective bargaining may be at a significant risk

As at December 31, 2014, the right to exercise freedom of association and collective bargaining was not at a significant risk at any of our operations.

### **Child Labour**

G4-HR5 – Operations having significant risk for incidents of child labour

As at December 31, 2014, none of our operations were at significant risk for incidents of child labour.

### **Forced or Compulsory Labour**

G4-HR6 – Operations having significant risk for incidents of forced or compulsory labour

As at December 31, 2014, none of our operations were at significant risk for incidents of forced or compulsory labour.

## **Security Practices**

G4-HR7 – Percentage of security personnel trained in the organization’s human rights policies or procedures relevant to operations

Pan American is in the process of updating its CSR policy to include a clause on Human Rights, following which the need for specific training of security forces will be evaluated.

## **Indigenous Rights**

G4-MM5 – Total numbers of operations taking place in or adjacent to indigenous people’s territories and formal agreements made

As at December 31, 2014, none of our operations were taking place in or adjacent to indigenous people’s territories.

## Society

### **Local Communities**

G4-SO1 – Percentage of operations with implemental local community engagement, impact assessments, and development programs

[Local Communities](#)  
[Social Development Pillars](#)  
[Country & Project Updates](#)

G4-MM6 – Numbers and description of significant disputes relating to land use, customary rights of local communities, and indigenous people

Legal claims have been filed in the Mexican Agrarian Courts by two Ejido communities relating to certain land use agreements in connection with our Alamo Dorado mine. Pan American believes the claims are without merit and continues to foster positive relationships with the communities around Alamo Dorado through the continuity of a range of successful CSR programs.

G4-MM7 – Grievance mechanisms used to resolve disputes relating to land use, customary rights of local communities, and indigenous people

[Governance](#)

### **Anti-Corruption**

G4-SO3 – Operations assessed for risks related to corruption and the significant risks identified

[Governance](#)

G4-SO4 – Communication and training on anti-corruption policies and procedures

[Governance](#)

### **Grievance Mechanisms for Impacts on Society**

G4-SO11 – Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms

There were no grievances about impacts on society filed in 2014.

### **Mining and Metals**

#### Artisanal and Small-Scale Mining

G4-MM8 – Number and percentage of company operating sites where artisanal and small-scale mining takes place on, or adjacent to, the site

A local community conducted unauthorized small scale artisanal mining in 2014 on claims owned by Pan American in Peru which are managed by our

Huaron mine but distant from the operation. Pan American had previously completed remediation works on the claims to formally close liabilities left by a previous operator. Pan American successfully negotiated the cessation of the artisanal mining by mutual agreement with the community and government authorities, and reinstated the reclamation works at the site.

## **Resettlement**

G4-MM9 – Sites where resettlement took place, the number of households resettled in each, and how their livelihoods were affected in the process

Pan American Silver did not undertake any community resettlements in 2014.

## **Closure Planning**

G4-MM10 – Number and percentage of operations with closure plans

[Mine Monitoring & Closure](#)



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

Please do not hesitate to contact us; we welcome any and all feedback. Please direct any questions regarding this report to Matt Andrews, Vice President of Environment and Sustainability, or Monica Moretto, Senior Manager of Corporate Affairs and Social Responsibility at: [csr@panamericansilver.com](mailto:csr@panamericansilver.com)

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