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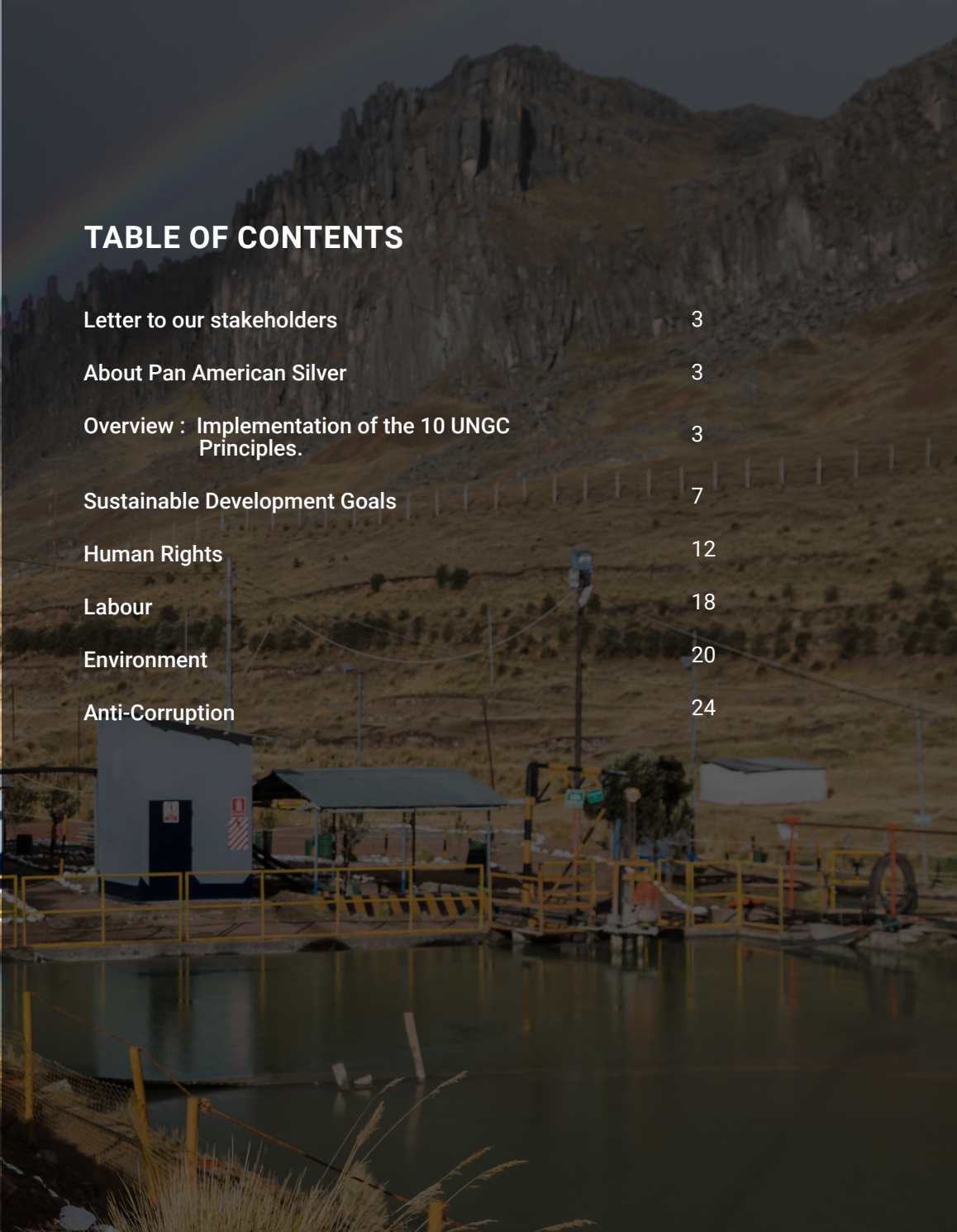
# UNITED NATIONS GLOBAL COMPACT

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COMMUNICATION ON  
PROGRESS

2020





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July 1, 2021

To our stakeholders:

I am pleased to confirm that Pan American Silver reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication.

Sincerely yours,

MICHAEL STEINMANN  
PRESIDENT & CEO

# ABOUT PAN AMERICAN SILVER

Pan American Silver engages in mining precious metals and related activities, including exploration, mine development, extraction, processing, refining, and reclamation. The Company owns and operates silver and gold mines located in Mexico, Peru, Bolivia, Argentina and Canada. We also own the Escobal mine in Guatemala that is currently not operating.

Our vision is to be the world's premier silver producer, with a reputation for excellence in discovery, engineering, innovation, and sustainable development. Our strategy to achieve this vision is to:







- **Generate an attractive return on invested capital through the safe, efficient, and environmentally sound development and operation of our assets.**
- **Constantly replace and grow our reserves and resources through targeted near-mine exploration and business development.**
- **Foster positive long-term relationships with our employees, shareholders, communities and local governments through open and honest communication and ethical and sustainable business practices.**
- **Continually search for opportunities to upgrade and improve the quality of our assets, both internally and through acquisition.**
- **Encourage our employees to be innovative, responsive and entrepreneurial.**

To execute our vision, Pan American Silver attracts, develops, and retains a sector-leading team of mining professionals. Our team has a depth of knowledge and experience in all aspects of our business, which enables us to confidently advance early-stage projects through construction and into operation.

Our principal products and sources of sales are silver and gold doré and silver bearing zinc, lead, and copper concentrates. Silver is an essential and versatile metal and plays a crucial role in the transition from fossil fuels to a low-carbon economy. We are working with the Silver Institute to improve the general understanding of silver's unique and vitally important role in low-carbon energy solutions. For more information, visit the website of the [Silver Institute](#).



# OVERVIEW: PAN AMERICAN SILVER'S IMPLEMENTATION OF THE 10 UNGC PRINCIPLES

UNGP PRINCIPLE	IMPLEMENTATION OF THE PRINCIPLES	SELECT 2020 HIGHLIGHTS
<b>Human Rights</b>		
 <b>Compliant</b>	<p><b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights.</p> <ul style="list-style-type: none"> <li>• Policy commitments that foster a positive human rights culture and prevent, minimize or mitigate adverse human rights impacts</li> <li>• Human rights analysis and risk assessment processes</li> <li>• Programs and initiatives to support and respect human rights in our workplace and local communities</li> </ul>	<p><b>Human Rights Highlights:</b></p> <ul style="list-style-type: none"> <li>• Joined United Nation Global Compact</li> <li>• Developed a set of Sustainability Performance Indicators to measure and monitor our performance on key social and environmental activities</li> </ul>
 <b>Compliant</b>	<p><b>Principle 2:</b> Businesses should make sure that they are not complicit in human rights abuses.</p> <ul style="list-style-type: none"> <li>• Policy commitments to avoid being complicit in activities that cause adverse human rights impacts</li> <li>• Support for and participation in external initiatives that advance human rights performance</li> <li>• Programs and initiatives to prevent human rights abuses</li> <li>• Monitoring and evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Developed the Pan American Silver Security and Human Rights Standard</li> <li>• Supported 95 communities and indigenous peoples through our socio-economic programs</li> <li>• Provided 843,995 hours of safety training for our work force</li> </ul>
<b>Labor</b>		
 <b>Compliant</b>	<p><b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</p> <ul style="list-style-type: none"> <li>• Policy commitments prohibit discrimination, foster a respectful workplace culture, and recognize the right to freedom of association and collective bargaining</li> <li>• Processes and best practice protocols screen for and prohibit forced or child labour</li> </ul>	<p><b>Labour Highlights:</b></p> <ul style="list-style-type: none"> <li>• Adopted an Inclusion and Diversity Policy</li> <li>• Launched a 3-year partnership with UNICEF Canada to support vulnerable children in Latin America</li> </ul>
 <b>Compliant</b>	<p><b>Principle 4:</b> The elimination of all forms of forced and compulsory labour.</p> <ul style="list-style-type: none"> <li>• Programs and initiatives support diversity and inclusion in the workplace</li> </ul>	<ul style="list-style-type: none"> <li>• Increased the percentage of women hired from 15% in 2019 to 18%</li> </ul>
 <b>Compliant</b>	<p><b>Principle 5:</b> Businesses should uphold the effective abolition of child labour.</p> <ul style="list-style-type: none"> <li>• Programs and investment support community socio-economic development</li> </ul>	<ul style="list-style-type: none"> <li>• Procured 47% of goods and services from local or regional suppliers</li> </ul>
 <b>Compliant</b>	<p><b>Principle 6:</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation.</p>	



UNGP PRINCIPLE	IMPLEMENTATION OF THE PRINCIPLES	SELECT 2020 HIGHLIGHTS
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**ENVIRONMENT**

<p>✓ Compliant</p>	<p><b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges.</p>	<ul style="list-style-type: none"> <li>• Policy commitments on addressing environmental issues and reducing impacts</li> </ul>	<p><b>Environmental Highlights:</b></p> <ul style="list-style-type: none"> <li>• Precautionary approach included in updated Environmental Policy</li> </ul>
<p>✓ Compliant</p>	<p><b>Principle 8:</b> Businesses should undertake initiatives to promote greater environmental responsibility.</p>	<ul style="list-style-type: none"> <li>• Management systems and corporate standards that incorporate external best practices and drive continuous improvements</li> </ul>	<ul style="list-style-type: none"> <li>• Zero significant environmental incidents</li> </ul>
<p>✓ Compliant</p>	<p><b>Principle 9:</b> Encourage the development and diffusion of environmentally friendly technologies.</p>	<ul style="list-style-type: none"> <li>• Programs and initiatives to manage impacts and reduce our footprint</li> <li>• Technological innovation to maximize efficiencies</li> <li>• Performance monitoring to comply with regulations and encourage continuous improvement</li> </ul>	<ul style="list-style-type: none"> <li>• 100% renewable electrical energy supply certified in Morococha</li> <li>• Developed our Energy, Emissions and Climate Change Standard</li> <li>• Achieved 35% reduction in electrical energy consumption for freshwater pumping and 27% reduction in gasoline consumption at San Vicente mine</li> </ul>

**Anti-Corruption**

<p>✓ Compliant</p>	<p><b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery.</p>	<ul style="list-style-type: none"> <li>• Policy commitments provide the foundational tenets of ethical business practices and requirements for expectations for compliance</li> <li>• Programs, processes, and initiatives, to identify, prevent remediate risk in our business and our supply chain</li> <li>• Transparency and accountability</li> <li>• Monitoring and compliance</li> </ul>	<p><b>Anti-Corruption Highlights:</b></p> <ul style="list-style-type: none"> <li>• Assessed all operations for fraud and corruption risks</li> <li>• Trained 98% of our mid/senior management on anti-corruption</li> <li>• Launched a third-party supplier due diligence system to screen and monitor suppliers for compliance with our Supplier Code</li> </ul>
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# REPORTING

We produce annual sustainability reports that articulate our vision of sustainability, share how we address sustainable development in the context of our business, disclose how we manage environmental, workplace, and social issues, and demonstrate our progress toward our sustainability goals and initiatives. Reporting also allows us and stakeholders, which we refer to as Communities of Interest (COIs), to benchmark our performance against industry peers.

The intended audience for our sustainability report is our COIs, which include shareholders, employees and contractors, unions, local communities, governments, suppliers, industry associations, regulatory agencies, civil society, and environmental social and governance (ESG)-focused analysts. We regularly engage with COIs to identify the issues that are most important to them. Reports describe our management approach and performance with respect to these issues within the context of our overall sustainability and business strategies. The scope of our latest report covers our nine mining operations.

Our Escobal mine in Guatemala is on care and maintenance, and our Alamo Dorado mine in Mexico is in the post-closure phase. However, certain operating, people management, economic, environmental, and social information and data for these mines and properties are included in the reports. Our other development projects and exploration sites are excluded from the scope of the sustainability reports, with the exception of certain data and information related to safety and people management. When applicable, we include information and data regarding our headquarters in Vancouver and our regional offices.

The last version of our Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option and the GRI Mining & Metals Sector Disclosures. It also contains information in consideration of the Sustainability Accounting Standards Board (SASB) Standard and the Taskforce on Climate-related Financial Disclosures (TCFD) reporting framework. The combined GRI & SASB index can be found at our Sustainability Website.

Information related to the TCFD is disclosed in the “Climate Change, Energy and Greenhouse Gas Emissions” section of the report.

In addition to annual sustainability reports, on a quarterly and annual basis we disclose our [operating and financial results](#). These reports are available on our website.

This is our first Global Compact Communication on Progress (COP), which covers the calendar year January 1 to December 31, 2020. Starting 2021, our Annual Sustainability Report will incorporate the Global Compact Communication on Progress requirements to connect our commitment with the 10 voluntary principles.





# SUSTAINABLE DEVELOPMENT GOALS



In 2015, the United Nations launched the 2030 Agenda for Sustainable Development, along with the Sustainable Development Goals (SDGs): 17 goals aimed at focusing and accelerating efforts to address global challenges and achieve an inclusive, sustainable future.

The Sustainable Development Goals highlight that respect for human rights is essential to achieving sustainable development. Human rights principles and standards are strongly reflected in the ambitious 2030 Agenda. Grounded in international human rights law, it offers critical opportunities to further advance the realization of human rights for all people everywhere, leaving no one behind. Meeting the 2030 target year for these goals requires strong, collaborative efforts from governments, private sector entities, and civil society.

Pan American Silver is committed to the principles of sustainable development and to the values essential to advancing all 17 of the Sustainable Development Goals (SDGs). We believe the mining industry has great potential to drive future progress on the SDGs, as mines are often situated in remote and developing regions, where implementing the SDGs can be challenging but where achieving them can have large and long lasting positive impacts.

During 2020, we conducted an exercise to identify the SDGs on which our Company can have the greatest impact and to map our initiatives to those SDGs. The analysis considered four key criteria: (1) contribution of the mining industry to the SDG, (2) the SDG independent country assessments for the countries where Pan American Silver operates<sup>1</sup>, (3) Pan American Silver's current efforts and initiatives to support the SDG, and (4) the linkage between the SDGs and Pan American Silver's material topics. Following this exercise and analysis, we prioritized the eight SDGs outlined in the following table:

<sup>1</sup> The Sustainable Development Report (formerly the SDG Index & Dashboards) conducts an independent assessment of all 193 UN Member States, as a measurement of the country's total progress to achieving each SDG. [Sustainable Development Report 2020 \(sdgindex.org\)](https://sdgindex.org)

# PAN AMERICAN SILVER'S PRIORITIZED SDGs



Mining can contribute to SDG3 by championing occupational health and safety, offering and encouraging preventative care, mitigating the spread of disease, and increasing mental health awareness in our COI communities. Our 2020 material topics "Socio-economic Contributions" and "Health and Safety" is directly linked to SDG3. Of the countries where Pan American Silver has activities, the independent SDG country assessments find that Bolivia, Guatemala, and Peru face major challenges and Argentina, Canada, and Mexico face significant challenges to meeting this SDG.



Mining can contribute to SDG4 through initiatives that support educational outcomes in communities, upgrade the local skills base, and train and educate the workforce. We have identified two of our 2020 material topics to be linked to SDG4: "Socio-economic Contributions" and "Human Capital Development". The SDG independent country assessment finds that, of the countries where Pan American Silver has activities, Guatemala and Mexico face significant challenges to meeting SDG4.



As a historically male-dominated industry, mining can contribute to this SDG by offering equal opportunities for women and practising gender inclusion across the business and project life cycle. Our 2020 material topic "Inclusion & Diversity" is directly linked to SDG5. The SDG independent country assessment finds that, of the countries where Pan American Silver has activities, Guatemala faces major challenges and Canada, Mexico, Peru, and Bolivia face significant challenges to meeting this SDG.

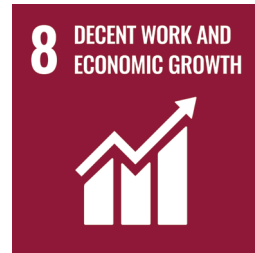


Our activities such as developing comprehensive baseline regional water resource information, infrastructure investments, conserving and recycling water, monitoring water quality, and managing water holistically can contribute significantly to this goal. Our 2020 material topic "Water" is directly linked to SDG6. The SDG independent country assessment finds that, of the countries where Pan American Silver has activities, Bolivia, Guatemala, and Mexico face major challenges and Argentina and Peru face significant challenges to meeting this SDG.





Through improving energy efficiency and incorporating renewable energy, the mining industry can make a significant contribution to SDG7. Our 2020 material topic "Climate Change, Energy and GHG Emissions" is directly linked to SDG7. The SDG independent country assessment finds that, of the countries where Pan American Silver has activities, Guatemala and Mexico face significant challenges to meeting this SDG.



The mining industry can contribute to SDG8 by providing well-paid direct and indirect jobs. In particular, mining can contribute to the economic outcomes of local communities by supporting and procuring from local suppliers. We have identified three of our 2020 material topics to be linked to SDG8: "Socio-economic Contributions", "Inclusion and Diversity" and "Social Acceptance". The SDG independent country assessment finds that, out of the countries where Pan American Silver has activities, Argentina, Guatemala, and Mexico face major challenges and Peru faces significant challenges to meeting the SDG.



Mining companies can promote responsible consumption and production by minimizing resource use and waste, and incorporating lifecycle thinking into all phases of the project, from planning to closure. Our 2020 material topic "Tailings and Waste Management" is directly linked to SDG12. The SDG independent country assessment finds that, of the countries where Pan American Silver has activities, Canada faces major challenges and Argentina and Mexico face significant challenges to meeting this SDG.



Mining companies can contribute to SDG13 by reducing emissions, building climate change resilience, and recognizing climate change in planning and investment. Our 2020 material topic "Climate Change, Energy and GHG Emissions" is directly linked to SDG13. The SDG independent country assessment finds that, of the countries where Pan American Silver has activities, Canada and Mexico face major challenges and Argentina faces significant challenges to meeting this SDG.

## GOALS AND PERFORMANCE

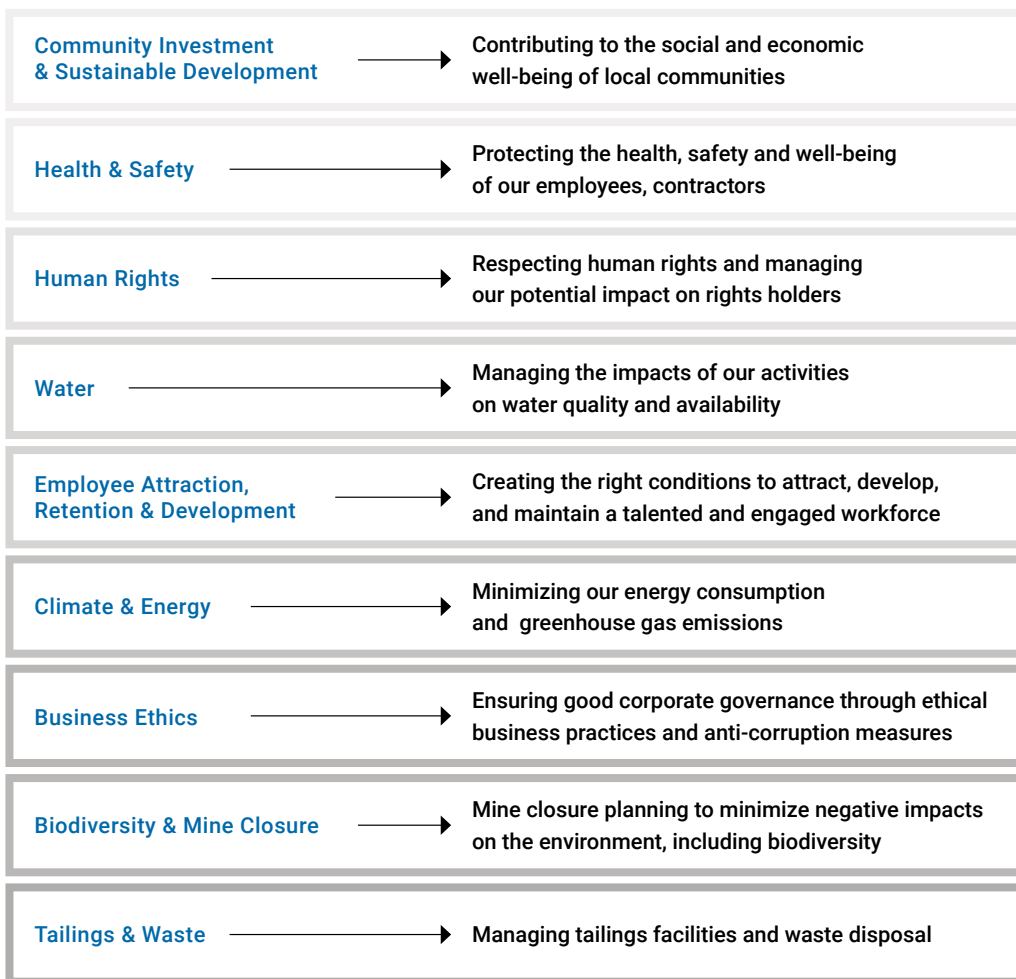
Pan American Silver's annual corporate goals are largely established by our employees and supervisors, which encourages a high level of understanding and commitment by those who carry out our day-to-day business activities. Our goals and objectives are presented, monitored and evaluated by our board members. Sustainability is embedded in our vision, values, and business strategy. Governance and oversight of sustainability at Pan American Silver start at the Board level. From the top level of the organization, accountability for sustainability cascades to our sites.

Performance against our 2020 sustainability goals is reported in the Goals and Performance section of our [2020 Sustainability Report](#), along with our goals for 2021. Additional corporate goals are reported in our Information Circular.

# SUSTAINABILITY MANAGEMENT AND INTEGRATION

Our sustainability management implementation system provides us with a consistent approach to operating in an ethical and responsible manner in compliance with applicable laws and industry best practices. Through this system, our corporate policies translate our vision and values into specific commitments, which we implement within our Sustainability Pillars. The system is designed to consider the external factors that affect our industry, including market uncertainties and increasingly demanding political, economic, environmental and social circumstances. We do not control these external factors but have developed an approach to help us navigate risk and deliver value to all COIs.

## Our Pillars



## Sustainability management implementation system





## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE COMMITTEE

To further embed sustainability throughout our Company, we established a committee comprising cross-departmental senior and executive management representatives. This committee is guiding us in aligning our performance and reporting with additional best practice standards and frameworks, namely the Sustainability Accounting Standards Board (SASB) and the Taskforce on Climate-related Financial Disclosures (TCFD).

## SUSTAINABILITY RISK MANAGEMENT

### SUSTAINABILITY PERFORMANCE INDICATORS

In 2020, we developed a set of Sustainability Performance Indicators (SPIs), to measure and monitor monthly performance on key social and environmental activities at our operations on the following issues:

- Social risk management
- Community grievance management
- Community investment
- Significant environmental incidents
- Environmental audit performance
- Water consumption
- Energy consumption
- GHG emissions
- Biodiversity Conservation
- Waste management
- TSM performance

Health and Safety performance indicators are also monitored. Senior management review SPI performance on a monthly basis; the Board receives quarterly performance reports.

We also formalized and standardized our existing country risk assessment processes. Across all countries in which we operate, we employ a systematic approach to identifying, analyzing, and evaluating external, non-operational risks across 10 categories. All the identified risks are monitored, managed and/or mitigated at the operation or country level. Significant risks are discussed by senior management quarterly; the Board receives quarterly reports. Going forward, we will develop the implementation plan for an enterprise risk management (ERM) system, which we intend to rollout company-wide in 2022.

## COUNTRY RISK ASSESSMENTS



### Risk Categories:



Both the SPIs and country risk assessments are improving our ability to proactively identify and manage potential risks before serious issues arise, contributing to the achievement of operational plans, and helping us to leverage opportunities for growth and value creation.

# HUMAN RIGHTS

At Pan American Silver, respect for human rights is a transversal approach that has guided our relationships with our communities of interest, especially local communities, throughout our history of operating in the Americas. The work we do affects people and ecosystems in our operations' areas of influence. It is paramount not only that we take steps to understand the linkages between the impacts of our activities and human rights, but also that we progressively implement proper measures to respect human rights and conduct reasonable and ongoing human rights due diligence in order to identify, avoid, mitigate, and account for actual or potential negative risks and/or impacts.

To ensure improve transparency in reporting on the assessment of our human rights approach, risks and opportunities, this COP follows the Basic Reporting Elements according to the Global Compact's [Human Rights Supplement to Communication on Progress Guidance](#), according to the Active Level requirements.

## PRINCIPLE 1:

Businesses should support and respect the protection of internationally proclaimed human rights.

## RESPECTING HUMAN RIGHTS

Pan American Silver abides by applicable local human rights laws, is aligned with key international human rights conventions and normative developments, and is actively working to apply industry best practices. Our focus is on upholding human rights and recognizing and respecting the cultural values, beliefs, and traditions of the people in the countries and communities where we operate, as well as the rights of Indigenous peoples. Proactive identification and management of human rights risks and impacts are components of our social management framework.

In 2019, Pan American Silver adopted its Global Human Rights Policy, which is based on the three pillars of the United Nations Guiding Principles (UNGP) on Business and Human Rights and the Organization of Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. For more information on performance, please refer to our [2020 sustainability report](#).

Our Global Human Rights Policy consolidates our existing commitments to respect human rights and is intended to provide guidance on the standards of conduct that must be followed by our directors, officers, and employees. The policy applies to any third parties acting on behalf of or representing Pan American Silver. Training and capacity building provide employees with an understanding of our human rights policy and educate community members on areas related to basic human rights. Our Global Human Rights Policy is available at our [website](#).

Our Global Code of Ethical Conduct (the Code) reflects our commitment to the highest standards of governance and ethics. All directors, officers, and employees are required to comply with the Global Code of Ethical Conduct observing all laws, rules and regulations in connection with their work for Pan American Silver.

Our Corporate Social Responsibility Policy commits us to respect and abide by applicable laws and regulations of the countries and regions where we conduct our business, including those relating to human rights.

Our Supplier Code requires our suppliers to comply with our Human Rights Policy and follow all human rights and workplace standards required by the applicable laws in the countries where they operate, including those prohibiting forced and child labor, discrimination and harassment; and those that govern working schedules, wages and benefits, freedom of association and union rights, health and safety, and all applicable health, safety and [environmental policies and standards](#).

Our Inclusion and Diversity Policy draws on best practices and extensive internal and external engagement. It formalizes our inclusion and diversity commitments, including: providing a safe and healthy work environment free from violence, harassment, intimidation, racism, and discrimination; providing equal and fair pay; fostering a respectful workplace culture; maintaining an employee feedback and grievance mechanism; and considering diversity when appointing, promoting, or hiring at the Board and senior management level.

## HUMAN RIGHTS ANALYSIS AND RISK ASSESSMENT PROCESSES

We have several processes that help us identify both actual and potential human rights risks and impacts resulting from our activities as well as opportunities for respecting human rights. These include our participatory community processes, such as baseline assessments and perception studies, sustainability performance indicators, country level risk assessments, our social audit process, and our community and employee response mechanisms. We implement a range of programs and processes intended to uphold salient human rights.

## SALIENT HUMAN RIGHTS FOR PAN AMERICAN SILVER

Category	Salient Right	Examples of our management approach
Labour	Equality	Our <a href="#">Inclusion and Diversity Policy</a> formalizes our commitments. Our Inclusion and Diversity Program is helping us build safe, respectful, and inclusive work environments, free from discrimination.
	Non-discrimination	
	Peaceful assembly and association	
	Safe and healthy working conditions	
Socio-economic	Adequate standard of Living	We invest in socio-economic development programs that provide lasting benefits to host communities.
	Education	We prioritize programs related to education, health, and local hiring and procurement opportunities. We have been actively working to support community health and wellbeing during COVID-19.
	Equality	
	Health	
	Non-discrimination	We implement anti-corruption measures to help host communities receive the value generated by our operations.
	Participation in cultural life	
Security	Peaceful assembly and association	We are implementing the Voluntary Principles on Security and Human Rights across our operations to integrate respect for human rights into our security practices.
	Life, liberty, personal security	
Environment	Clean water and sanitation	We have systems and processes in place to reduce our use of freshwater, use water more efficiently, and avoid negative impacts on water quality within and beyond our operating boundaries.
	Health	

### Participatory Community Processes

Our community processes are participatory and involve a broad range of COIs. Ongoing engagement as well as participatory baselines and perception assessments help us understand the priorities and concerns of host communities, which, in turn, helps us identify and manage our actual and perceived impacts, understand community needs, and manage social risks, including risks related to human rights.

### Social Performance Indicators and Country Risk Assessments

In 2020, we developed an initial set of social and environmental SPIs to help us measure operational-level performance and manage social risks. Corporate and community teams also collaborated with internal and external human rights experts to create a standardized, country-level, social risk assessment tool, which is built on our existing risk framework. All of our participatory COI engagement processes serve as inputs to the risk assessments process. This tool improves our ability to proactively identify and manage potential risks before a serious issue or conflict arises. SPI performance and social risk assessments are now reported to and reviewed by senior management on a monthly basis. Additional information on our social performance indicators and country risk assessments can be found in the Sustainability Risk Management section of this COP.

### Communication and Response Mechanisms

Pan American Silver has developed communication and response mechanisms to identify any adverse impacts of our operations. These mechanisms are available at every site and provide employees, contractors, local communities, and other COIs with channels to raise their concerns, requests and any other communication with the company. For us, these mechanisms serve as a source of continuous learning based on engagement and dialogue.

Our community response mechanisms provide a means through which community members can engage with our operations. Community members can submit questions, requests, concerns, and/or grievances to us in person or via community mailbox, telephone, email, suggestion boxes, and/or community offices.

All requests or grievances are logged by the community office. The social department work with other departments, as required, to respond. If there is an objection to the response, the case escalates to an appeal process that involves the

mine's senior management. Community teams report progress and outcomes monthly to the Vice President of Social Sustainability, Diversity and Inclusion. In 2020, we continued our work to formalize our response mechanisms in alignment with the UNGP on Business and Human Rights and TSM protocol requirements.

During 2020 we developed PAAS Listens, a feedback and grievance mechanism for PAAS workforce, where concerns and grievances can be raised and feedback provided. All concerns, grievances, and feedback received is reviewed by Vice President of human Resources - Operations.

Our Whistleblower hotline service enables directors, officers, and employees to report anonymously and confidentially any actual or suspected unethical or illegal activity or violations, including violations of the Code or other policies. Non-employees can submit complaints of an ethical, accounting, or audit nature by mail, marked "private and confidential," to Pan American Silver's General Counsel. Every report received is reviewed by the General Counsel and the compliance team. When applicable, an investigation is conducted and appropriate actions are taken. Our process is independently audited on an annual basis.

### Social Audits

We conduct social audits to help us monitor our social footprint and manage our performance. The audits are conducted by community team employees from across the Company. Our audit framework, which is based on the ISO 26000 guidance standard on social responsibility and incorporates Pan American Silver's policy commitments, is continuously updated to incorporate international best practice, such as:

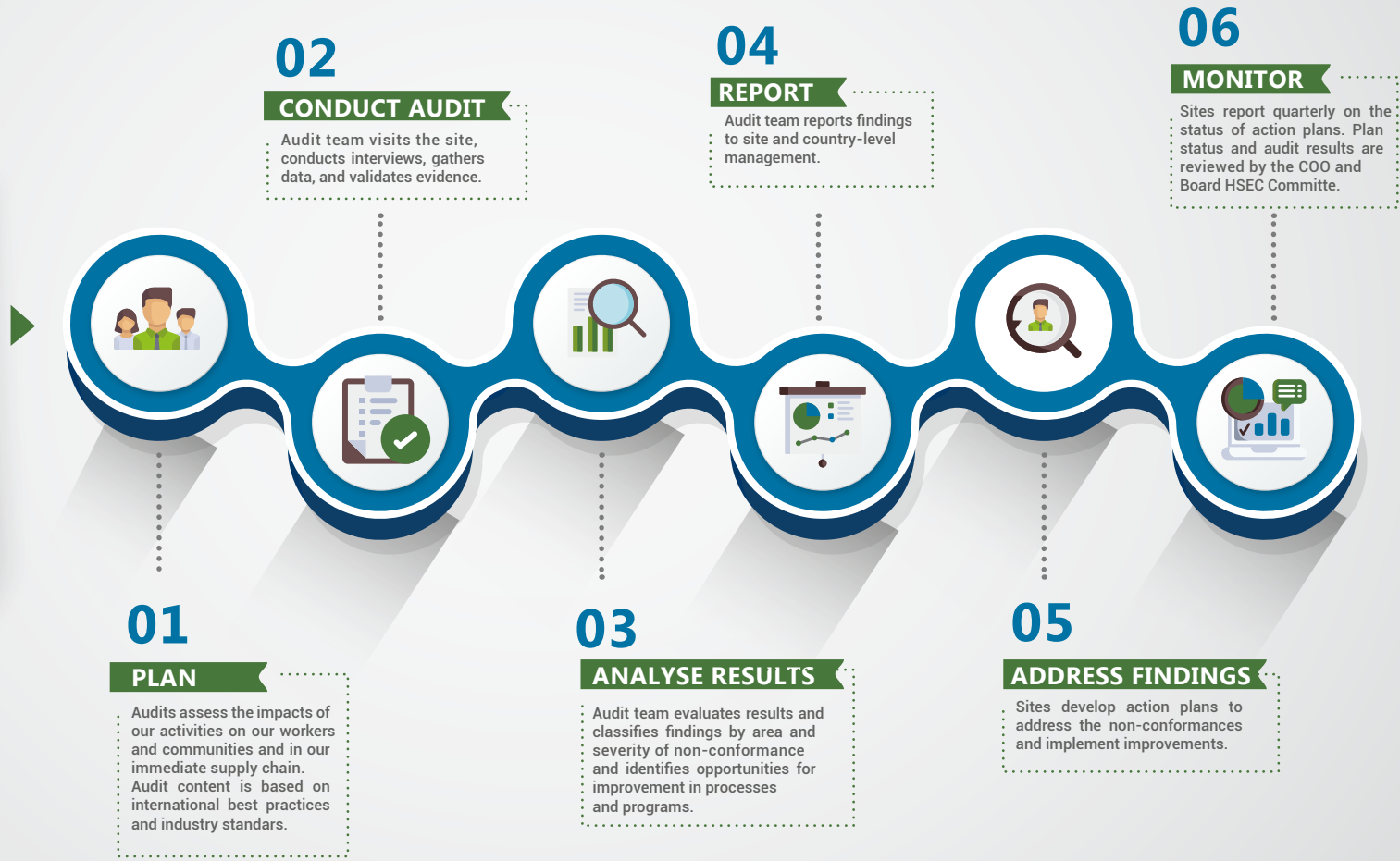
- Industry standards and best practice guidance
- [TSM Aboriginal and Community Outreach Protocol](#)
- [UNGP on Business and Human Rights](#)
- [UNICEF Canada's Child Rights and Security Checklist](#)
- [Voluntary Principles on Security and Human Rights \(VPSHR\)](#)
- [International Labour Organisation's Guide for Enterprise Diagnostics](#)



# SOCIAL AUDIT PROCESS

**OUR SOCIAL AUDIT COVERS:**

- Labor Practices (camp conditions, contracts, security, child and forced labour)
- Community Relations Capacity (corporate values, pillars, performance)
- Community Engagement (socialization of policies, program effectiveness, communication)
- Human Rights Lens



## Mine Closure

We aim to integrate social and environmental considerations in the closure plans for each of our sites. Our Biodiversity and Mine Closure Corporate Environmental Standard considers the ramifications of ending our operations and the corresponding potential adverse impacts; it provides best practice guidance for our sites. Site-level closure plans include plans to restore land to a beneficial state and avoid health and safety risks from any mining wastes, equipment, and infrastructure left behind. COI engagement helps us understand and incorporate the expectations of local communities and other COIs into our closure and post-closure plans. We are in the process of developing a corporate Social Closure Standard, which will be rolled out to operations in 2021.

## SUPPORTING HUMAN RIGHTS

Operating safely is our moral imperative. We believe that operating safe mines and building a culture of safety are directly related to our operational success and our ability to create long-term value for our COIs. We support human rights in the workplace through our human capital and occupational health and safety policies, programs, and initiatives, including:

- Training and capacity building provide employees with an understanding of our human rights policy.
- The Building Respect Together Program promotes a respectful workplace and develops culture that honors inclusion and diversity.
- The Pan American Silver Safety Pledge and Cardinal Rules set out our fundamental expectations and rules for safety at sites; these apply to all employees and contractors and are incorporated into induction training and safety talks.

- Our Serious Incident Reduction Initiative focuses on preventing serious incidents and fatalities through training, culture change, site-specific action plans, and conducting comprehensive investigations of serious incidents.
- Our behavior-based safety initiative pilot program empowers workers to take a more active role in their own safety.
- Technical safety training provides workers with relevant skills and training, including geotechnical and mine rescue training.
- Site-level training programs provide necessary skills and development opportunities to meet site-specific current and future needs.
- Site-level union agreements improve safety standards and working conditions.
- Whistleblower hotline allows employees to anonymously report actual or potential breaches of the Global Code of Ethical Conduct via phone or web, in English or Spanish, 24 hours a day, 365 days a year, and PAAS Listens provides employees with mechanisms to provide feedback or grievances directly to the Company.

We support human rights in local communities by working hard to understand community needs and interests and identifying and implement beneficial and viable social programs and that contribute to long-term community well-being and self-reliance. Our objective is to invest in projects and programs that benefit host communities beyond the lifespans of our mines. Our practices and initiatives include:

- Site-level community teams work with local professionals, including social workers, teachers and health practitioners, to identify and manage potential human rights risks and concerns.
- Participatory community assessments help us understand the social context within and the potential impacts of our operations on our host communities,

community needs and interests, and identify programs appropriate for the social context of the communities.

- Community response mechanisms help us understand and respond to community questions or concerns around the perceived or actual impacts of our activities.
- Community education and capacity building help community members understand and exercise their individual rights. Our community teams conduct education and training for specific community groups such as women, youth, families, and vulnerable people on topics including: access to education and career opportunities; domestic violence, addiction, and vulnerable groups; gender equality; parenting and healthy homes; mother and child health; hygiene and sanitation practices; sexual health and reproductive rights; and discrimination and sexual harassment.
- Community investment provides sustainable benefits for local communities, promotes local hiring and procurement, and supports new/ongoing infrastructure and services. We invest in socio-economic development programs with the intention to provide lasting benefits to host communities. Our mines have limited lifespans, and as automation and mechanization increase, fewer direct jobs are available for community members. Consequently, we prioritize investments in our socio-economic programs, which relate to education, health, and local economic development projects. These programs, if successful, will provide benefits that exceed the lifespan of our mines. Our objective is that all our programs: address community needs and interests; are developed and implemented with community participation; are appropriate to the local social context; consider mine closure; and incorporate key performance indicators.



## PRINCIPLE 2:

### Businesses should make sure that they are not complicit in human rights abuses.

Pan American Silver Global Human Rights Policy consolidates our existing commitments to respect human rights and is intended to provide guidance on the standards of conduct that must be followed by employees as well as third parties, such as contractors, consultants, suppliers, intermediaries, agents, or other business partners acting on behalf of or representing Pan American Silver. The policy includes our commitment to act with transparency and avoid knowingly being complicit in activities that cause, or are likely to cause, adverse human rights impacts, and not interfere with anyone who acts to promote or protect human rights through peaceful and lawful means.

We are committed to respecting international human rights conventions and best practices, including:

- [United Nations Universal Declaration on Human Rights](#)
- [Voluntary Principles on Security and Human Rights](#) (VPSHR)
- TSM's [Aboriginal and Community Outreach Protocol](#)
- United Nations Children's Fund (UNICEF) Canada's [Child Rights and Security Checklist](#)
- [UNICEF Convention on the Rights of the](#)

- [Child](#)  
TSM's [Prevention of Child and Forced Labour Verification Protocol](#)

We are members and supporters of industry associations and other initiatives that help us advance our sustainability performance. Our participation provides a forum to learn from and dialogue with our peers as well as a platform through which we collaborate and contribute to industry best practices. We also partner with and support civil society organizations on initiatives that help address key sustainability challenges of relevance to our Company and COIs. Examples include:

- Member of the Mining Association of Canada (MAC) - Through our membership in MAC, we are currently implementing the Towards Sustainable Mining (TSM) performance system.
- United Nations Children's Fund (UNICEF) Canada - To support the wellbeing and rights of children, we have been working with UNICEF Canada for several years.
- United Nations Global Compact - In 2020, we became a signatory to the United Nations Global Compact. This formalizes our commitment to driving global sustainable development and contributing to the United Nations Sustainable Development Goals.

- BlackNorth Initiative - In 2020, our CEO signed the BlackNorth Initiative's CEO pledge committing Pan American Silver to take steps to end anti-Black systemic racism. Our human rights training incorporates recommendations issued by the UN Human Rights Council, including education on unconscious bias and racism focused on discrimination against Indigenous peoples, the black community, and other vulnerable groups.
- Silver Institute - We are working with the Silver Institute on a new study to assess and communicate silver's unique role in low-carbon energy solutions.
- Member of Women in Mining - We are advancing the interests of women and facilitating conversations on inclusion and diversity in mining sector.

The full list of our memberships and partnerships by the countries where we operate is provided in our [2020 Sustainability Report](#) data tables under Membership of Associations.

## SECURITY AND HUMAN RIGHTS

Our Global Human Rights Policy commits us to respecting the VPSHR. We have been working to align with these principles as well as other industry best practices, such as the World Gold Council Conflict-Free Standard.

Since the acquisition of Tahoe Resources in 2019, we have been formalizing and standardizing our approach to both security and human rights. We are in the process of implementing a more structured, auditable security management framework that aligns with the Voluntary Principles on Security and Human Rights (VPSHR) and other international human rights best practices. In 2019, we conducted a gap assessment of our security practices against the requirements of the VPSHR and UNICEF Canada's Child Rights and Security Checklist at two of our three mines with armed security forces: La Colorada in Mexico and Escobal in Guatemala. In 2020, we completed the final assessment at Dolores in

Mexico.

During 2020 we developed the Pan American Silver Security and Human Rights Standard, which is aligned with the VPSHR and incorporates UNICEF Canada's Child Rights and Security Checklist and the World Gold Council Conflict-Free Gold Standard. Our intent was to create a standard for operations that, through implementation, sites would use to meet the requirements of all three frameworks. Our standard has three components: a security and human rights risk assessment and register; an implementation toolkit for security providers; and guidance on managing relationships with public security groups. Regional management teams in Guatemala and Mexico have completed the development of human rights risk assessments and registers and are beginning to implement the toolkit for security providers. Implementation is in progress at all other Pan American Silver operations.

As part of our efforts to implement these standards throughout the Company, during 2021 we provided training to the Board, officers, executives, and all senior management on the VPSHR and how they integrate into our security practices with additional training on understanding local cultures, rule of law, dialogue and peace building.

We are also part of the VPSR Working Group of Guatemala, a collaboration between the UK, Swiss, American, and Canadian embassies, civil society, human rights defenders, and companies. The objective is to promote awareness of and support companies in the implementation of the VPSHR.

In addition, we have started applying the World Gold Council Conflict Free Standard. This standard, which is based upon internationally-recognized benchmarks and best practices, provides us with an approach to identifying and eliminating the risk that our operations may cause, support, or benefit unlawful armed conflict or contribute to violations of human rights. We assessed the location of our mines against the Heidelberg Institute's Conflict Barometer and our own country risk reports and identified our Mexican operations as being located in conflict affected regions, due to



the high levels of organized crime. However, because we see the importance of identifying and addressing corruption risks, which are high in many of the areas in which we operate, we will be assessing the application of beneficial elements of the standard at other Pan American Silver operations.

To better protect the rights and wellbeing of all communities of interest affected by a security incident, we are introducing an enhanced emergency preparedness and crisis management structure that will facilitate appropriate and effective management of any major incident. More information can be found in the Environment section of this COP.

## Training of Security Contractors

Security at our operations is generally provided by private security contractors. These contractors have little interaction with community members, and in the event that they do, our dual priority is the safety of and rights of community members as well as the security of our assets. Our goal is to limit the deployment of armed, private security only where and when it is deemed necessary to protect our people and, at those locations, to reduce access to weapons as much as possible. Before allowing their employees at our sites, we require companies supplying contract security personnel to provide those personnel with human rights training that is in line with international best practice standards and covers the content of Pan American Silver's Global Human Rights Policy.

## RIGHTS OF INDIGENOUS PEOPLES

Pan American Silver's Global Human Rights Policy commits us to complying with applicable laws, rules, and regulations in the countries and regions where we operate and to respecting applicable internationally recognized human rights laws and standards. It also commits us to recognize and respect cultural values, beliefs and traditions of people in the countries and communities in which we operate and the rights of indigenous peoples and to engage in meaningful dialogue, promoting participation

and fostering inclusion. All of our community processes are participatory. We respect all communities' rights to self-identify and organize and adapt our processes to engage appropriately. As a member of MAC, we will implement the TSM Indigenous and Community Relations Protocol, which includes aiming to achieve free, prior, and informed consent for impacts on rights of directly affected Indigenous Peoples before proceeding with new projects and expansions.

Many of our sites are close to indigenous communities. For example, at our Timmins operations, we engage proactively and regularly with all communities and implement formal partnership agreements where applicable. Our partnership agreements with Mattagami, Flying Post, Matachewan, and Wahgoshig First Nations establish frameworks for continued consultation on the mines' existing and future operations. They also include provisions regarding education and training, employment, business and contracting opportunities, environmental care, and economic benefits.

Indigenous Peoples have both individual and collective rights. Both national and international laws address the rights of Indigenous Peoples. One such instrument is the International Labour Organization Convention 169, which includes a mandate for governments to consult with Indigenous communities surrounding mining operations prior to granting mining rights, permits, or approvals. This is currently the situation with our Escobal mine in Guatemala where operations are suspended while the government of Guatemala completes an ILO 169 consultation process with local Indigenous communities, as ordered by the Constitutional Court of Guatemala.

## MONITORING AND EVALUATING

In 2019 we created the role of Human Rights Officer, which reports to the General Counsel and oversees implementation of our Global Human Rights Policy and related programs. We are implementing a Security and Human Rights Standard that provides a robust,

auditable security management framework that embeds respect for stakeholder rights. Also, we run security contractor assessments that review the relationships of armed private security contractors with public security entities.

Safety audits are conducted at each mine by a corporate safety department team led by the Director of Health and Safety. High priority findings are elevated to the Chief Operating Officer for immediate action.

Other human rights monitoring mechanism include:

- Human resources procedures – Screen for child and forced labour at our operations.
- Social audits – Screen for risks to human rights, including the effects of our social programs on vulnerable groups.
- TSM Aboriginal and Community Outreach Protocol – Provides a standard process for community engagement against which operations self-assess their performance.
- TSM Crisis and Communications Planning Protocol self-assessments – Require sites, regional offices, and head offices to conduct annual self-assessments.
- Community Development Initiative Tool – Helps us identify and develop socioeconomic programs with a high likelihood of long-term success and measure these programs' impacts.
- Social Sustainability Performance Indicators – Help us set goals to measure and track our social performance.
- Post-closure monitoring and maintenance – Entails many years of post-closure monitoring to ensure reclamation objectives are achieved.

## 2020 HUMAN RIGHTS HIGHLIGHTS

- We joined United Nation Global Compact.

- We developed a set of Sustainability Performance Indicators to measure, and monitor our performance on key social and environmental activities at our operations.
- We created PAAS Listens, a communication and response mechanism for our workforce.
- We developed the Pan American Silver Security and Human Rights Standard, which is aligned with the VPSHR and incorporates UNICEF Canada's Child Rights and Security Checklist and the World Gold Council Conflict-Free Gold Standard.
- We supported 95 communities and indigenous peoples directly or indirectly through our socio-economic programs
- We provided 843,995 hours of safety training for our work force.

## 2021 Human Rights Targets

- Resolve all medium and high-risk grievances received through our communications and response mechanisms.
- Conduct audits of the community response mechanisms at all mines.
- Develop a corporate Social Closure Standard, aligned with the Towards Sustainable Mining's (TSM) Mine Closure Framework as well as the social closure requirements of the International Council for Minerals and Metals' (ICMM) Integrated Mine Closure, Good Practice Guide (2019) and Performance Expectation 6.1.
- Begin implementation of the new TSM Community and Indigenous Relationships Protocol.
- Achieve zero fatalities.
- Achieve a lost time injury frequency of

# LABOUR

## PRINCIPLE 3:

**Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.**

## PRINCIPLE 4:

**Businesses should uphold the elimination of all forms of forced and compulsory labour.**

## PRINCIPLE 5:

**Businesses should uphold the effective abolition of child labour.**

## PRINCIPLE 6:

**Businesses should uphold the elimination of discrimination in respect of employment and occupation.**

At Pan American Silver, we know that our people are critical to our success. We want to be an employer of choice and one that creates value for our stakeholders and the communities in which we operate. This means we have to attract qualified individuals and invest in our employees throughout their careers. As the Company grows and the industry innovates, we will also have to focus on upgrading employees' skills, building bigger pools of skilled workers, and accessing new sources of talent. We approach human capital development by offering our employees competitive compensation, quality benefits, opportunities for professional development, and work environments that foster optimal contributions.

Our Global Human Rights Policy establishes our commitment to providing a safe and healthy workplace that is free from violence, harassment, intimidation, and discrimination on the basis of race, colour, creed, age, gender, language, national or social origin, marital status, sexual orientation, disability, religious, political or other opinion, or union affiliation.

Our policy also prohibits our engagement in forced, indentured, or child labour. To uphold our policy and raise awareness across our operations, we specifically screen for child and forced labour at our sites and are implementing the following protocols: Preventing Child and Forced Labor protocol and UNICEF guidelines and the TSM Prevention of Child and Forced Labour Verification Protocol.

Also, our socio-economic contributions and social programs help to seek viable alternatives and access to adequate services for the children and their families. We prioritize investments in our socio-economic programs, which relate to education, health, and local economic development projects. These programs, if successful, will provide benefits that exceed the lifespan of our mines. Our objective is that all our programs: address community needs and interests; are developed and implemented with community participation; are appropriate to the local social context; consider mine closure; and incorporate key performance indicators.

Pan American Silver respects the employees'

right to unionize. Eight of our nine operations have collective agreements with one or more unions, and 54% of our employees are unionized. Our commitment to recognize the right to freedom of association and collective bargaining is set out in the Global Human Rights Policy. Labour strikes and work stoppages have the potential to disrupt our operations and reduce production. We endeavour to maintain positive relationships with our unions and with unionized workers. Our approach is to work in partnership with our unions, which furthers the health and safety of our employees, and, in turn, supports the Company as well as local communities.

## INCLUSION AND DIVERSITY

Inclusion and diversity are critical to Pan American Silver's long-term success. We operate mines across the Americas in areas with different cultures, languages, and values. We want our workforce to represent the diversity of the communities in which we operate. We know that having a wide array of experience, knowledge, background, culture, and heritage can lead to innovation, better operations, and improved relationships with communities and other COIs. That is why inclusion and diversity are key components of our human capital strategy. We believe that by building an inclusive organizational culture that sees diversity as the norm, our workers will feel safe, valued, and have equal opportunities to develop and advance.

For Pan American Silver, diversity includes gender, ethnicity, age, race, religion, disability, cultural and socio-economic background, nationality, sexual orientation, language, educational background, and expertise. Our objective is to build inclusive work environments in which all are treated fairly and respectfully, have equal access to resources and opportunities, are free from harassment, and can contribute to the success of the organization.

We have zero tolerance for any form of discrimination. Our Global Code of Conduct and Global Human Rights Policy prohibit discrimination not only in our workplace, but also against community members and service

providers. Workers can raise allegations of discrimination through the PAAS Listens employee feedback and mechanism or through our Whistleblower hotline.

The human resources and sustainability functions work together to create programs and processes that enhance our ability both to hire and retain employees who are representative of the local community and to engage local contractors or suppliers. We focus on identifying and addressing actual and perceived barriers to diversity and fostering a culture of inclusion.

In 2020, we released our Board-approved Inclusion and Diversity Policy, which draws on best practices and extensive internal and external engagement. The policy formalizes our commitment to inclusion and diversity and includes: providing a safe and healthy work environment free from violence, harassment, intimidation, racism, and discrimination; providing equal and fair pay; fostering a respectful workplace culture; maintaining an employee feedback and grievance mechanism; and considering diversity when appointing, promoting, or hiring at the Board and senior management level. Operation-level inclusion and diversity subcommittees develop and implement inclusion programs to address site-specific inclusion challenges and perceived barriers to hiring and retaining employees who are representative of the local community.

We believe that respect is the foundation for building an inclusive organizational culture in which diversity is the norm and individuals are safe, valued, treated fairly, and receive equal opportunity to develop and advance. In 2019, we created the Building Respect Together program to help us foster this inclusive culture. The program consists of five modules: Respect (establishing respectful understanding), Awareness (developing assertiveness and empathy), Self-Esteem (understanding who you are), Teamwork (working collaboratively), Managing Differences (communicating effectively). The program is dialogue-based because we believe that open conversations around these topics will foster positive change. It also includes specific content to promote

a greater understanding and protection of and respect for women's rights. Employee volunteers will facilitate the discussions within each module.

## GENDER DIVERSITY

We see women as drivers of positive long-term change for Pan American Silver. Just over 7% of our employees are female, a slight increase from 2019. The majority of these women work in professional, administrative, and support roles. 10% of our contractors are women.

In 2020, we increased the percentage of women hired from 15% in 2019 to 18%. Of all employees promoted in the Company in 2020, 16% were women. The average percentage of female new hires and available promotions filled by women was 17% in 2020, exceeding our goal of 15%.

Our ability to attract qualified female candidates depends, at least in part, on gender representation in career fields related to our business and the number of female job applicants. We contribute to building the candidate pool by: promoting mining as a career prospect to female secondary students and, in some areas, to the community at large; providing scholarships to women entering technical programs at universities; and supporting external programs that are intended to inspire women to enter science and mining-related careers that promote women in mining and, more generally, champion women in leadership roles.

We are also leading conversations around the importance of inclusion and diversity in the industry. Through our role in the BC chapter of Women in Mining, we held an executive-level workshop to facilitate dialogue on this topic.

## PROGRAMS AND INITIATIVES

- Partnership with United Nations Children's Fund (UNICEF). In 2020, we entered into a 3-year \$1.5 million partnership

commitment with UNICEF Canada, to provide support in the areas of health and education to vulnerable children and families in the Latin American countries where we operate.

- Our Building Respect Together Program promotes a respectful workplace and develops culture that honors inclusion and diversity.
- Compensation benchmarking confirms whether we are compensating employees in line with market trends and complying with local legislation.
- Site-level training programs provide necessary skills and development opportunities to meet site-specific current and future needs.
- Site-level union agreements improve safety standards and working conditions.
- The Whistleblower hotline allows employees to anonymously report actual or potential breaches of the Global Code of Ethical Conduct via phone or web, in English or Spanish, 24 hours a day, 365 days a year, PAAS Listens provides employees with mechanisms to provide feedback or grievances directly to the Company.

## 2020 LABOUR HIGHLIGHTS

- Adopted an Inclusion and Diversity Policy.
- Launched a 3-year partnership with UNICEF Canada to support vulnerable children in Latin America.
- 47% of goods and services were provided by local or regional suppliers.
- Increased the percentage of women hired from 15% in 2019 to 18%. Of all employees promoted in the Company in 2020, 16% were women.

## 2021 LABOUR TARGETS

- Achieve zero significant social disputes at our operations.
- Complete the first phase of our Building Respect Together program, covering 70% or more of our workforce.





# ENVIRONMENT

**PRINCIPLE 7:**  
Businesses should support a precautionary approach to environmental challenges.

**PRINCIPLE 8:**  
Businesses should undertake initiatives to promote greater environmental responsibility.

**PRINCIPLE 9:**  
Businesses should encourage the development and diffusion of environmentally friendly technologies.

Environmental stewardship and responsible management of the Earth's finite natural resources are among our founding principles and Company vision. At Pan American Silver, our commitments to environmentally sound business practices and sustainable development are among our founding principles and Company vision.

We are dedicated to managing all our operations and our exploration and development activities in an environmentally responsible manner by utilizing effective and proven practices that minimize adverse environmental impacts, including taking a precautionary approach, where appropriate, in responding to environmental challenges. In fulfilling this commitment, we regularly evaluate the existing environmental conditions at each site and strive to minimize and mitigate the environmental impacts of our activities through a combination of applying prudent design and operating practices, conscientiously monitoring environmental matters, and implementing new techniques and innovations that will assist us in meeting this challenge.

We implement projects to maximize the energy and water efficiency of our operations at every site. We work to continually improve the environmental performance of our operating mines and minimize the potential impacts of new projects and closed mines.

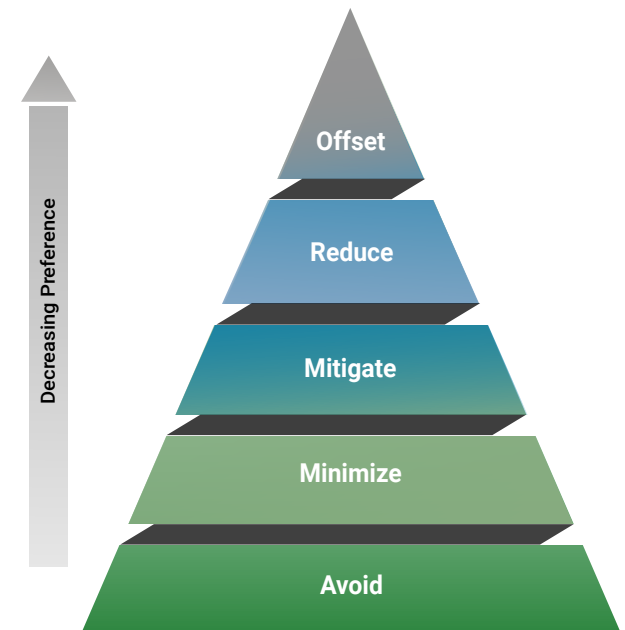
## MANAGING ENVIRONMENTAL IMPACTS

Environmental stewardship is a management pillar throughout our organization, right from our operators and technicians in their daily work, to our relationships with communities and governments in each country, to our corporate team, Board of Directors, and investors. We work to minimize and mitigate the environmental impacts of our operations in each phase of the mining cycle, from exploration through development, construction, operation, closure, and post-closure. We strive for continual improvement and have voluntarily adopted international performance standards, including the Mining Association of Canada's TSM program, across all our operations.

We strive to avoid or minimize the negative impact of our activities on the environment and communities then mitigate, rectify or reclaim, and compensate for unavoidable impacts. We maximize benefits through the exchange of environmental knowledge and expertise with other stakeholders in the regions where we operate.

Additional details on our approach can be found the Sustainability Management and Sustainability Risk Management section of this COP.

### Mitigation Levels In Environmental Impact Assessment



## GOVERNANCE AND SYSTEMS

- Policies – Our Environmental Policy Sets out commitments to address environmental issues, including: compliance with environmental standards, laws and regulations; efficient use of energy and other natural resources; consultation with COIs; and utilizing effective and proven practices to minimize environmental impacts. An updated and expanded environmental policy was recently approved by our Board of Directors to include more specific information relevant to climate change, energy, water, biodiversity, air quality, and cultural heritage.
- Corporate Environmental Standards – Our internal standards are intended to help sites implement and share best practices to manage and mitigate impacts in key areas: tailings and heap leach pads; energy and GHG emissions; biodiversity; and mine closure.
- Environmental Management Systems – Our internal standards are developed and implemented in alignment with TSM protocols and frameworks, which cover energy and GHG emissions, biodiversity, water stewardship, mine closure, and tailings management.

## PROGRAMS AND INITIATIVES

- Baseline data collection, studies, and pre-construction environmental impact assessments – We use these processes to help us plan our work and monitor the ongoing performance of our operations.
- Site-level expertise – We have strong, reliable teams of professionals and share best practices, as well as challenges, across sites and with our industry peers.

- Environment and community teams – Our site-level teams engage and collaborate with COIs on environmental issues and concerns and respond to feedback provided through our community response mechanisms. The engagement with COI's occurs throughout the life cycle of our mines.
- Community engagement – Our site-level environment and community teams engage and collaborate with COIs on environmental issues and concerns and respond to feedback provided through our community response mechanisms. Our Water Community Engagement initiative at our Peruvian and Canadian operations involves community representatives in participatory water monitoring.
- Internal capacity building – We train our local teams on guidelines and procedures to continually improve our environmental management performance.
- Water baseline studies are used to identify catchment- or district-level water availability and quality prior to mining; studies can identify previously unknown water resources or infrastructure opportunities that improve water availability and management for our COIs during and beyond the mine's operation.

## MONITORING AND EVALUATING

On-going monitoring and evaluation of our performance helps us comply with regulatory requirements, identify potential issues, and continuously improve our performance. Our monitoring processes include:

- Environmental monitoring – We monitor all environmental variables identified in Environmental Impact Statements, regulatory approvals, and community engagement over the life of each mine. This monitoring includes water quality and flow, water use, groundwater, climate, stream sediments, air quality and air

emissions including GHG emissions, energy use, biodiversity, waste, mine closure performance, tailings facilities, cultural heritage sites, noise, and vibration.

- TSM protocols – Our sites self-assess their performance against these protocols and develop corresponding action plans for improvement.
- Environmental audits – Our annual environmental compliance audit program covers 100% of our operations. Our goal is to audit each mine at least every other year to assess facilities, operating procedures, and control systems.
- Tailings and heap leach facilities inspections and reviews – We assess the stability and safety of facilities and identify improvement opportunities. (Additional information on our management of Tailings and heap leach facilities can be found in the Tailings Facilities and Waste Management section of our 2020 Sustainability Report).
- Water and sediment quality monitoring – We conduct regular sampling of downstream water and sediment quality to ensure compliance with predictive models and water quality regulations.
- Biodiversity monitoring – Identifies potential new impacts and changes from our baseline studies.
- Post-closure monitoring and maintenance – Entails many years of post-closure monitoring to ensure reclamation objectives are achieved.

## Sustainability Performance Indicators

Our Environmental Performance Indicators are intended to help us improve both our environmental performance and risk management processes. Our environmental performance indicators cover environmental

incidents, audits, water, energy, greenhouse gas emissions, biodiversity, waste and implementation of the TSM program.

## Environmental Audits

Audits are conducted by a team of professionals from our other mines and corporate office. The audit process fosters the sharing of best practices and integration among mines and helps ensure that site-level procedures are consistent with TSM and our corporate standards.

## EMERGENCY PREPAREDNESS AND CRISIS MANAGEMENT

For Pan American Silver, preparedness and crisis management are critical components of our approach to business continuity and link directly to social acceptance. We are responsible for managing the impacts of our activities on the environment, our workforce, and local communities. We are also responsible for managing the impacts of external events on our operations and workers. For Pan American Silver, emergency preparedness and crisis management are critical components of our approach to business continuity and link directly to social acceptance. Our ability to quickly, effectively, and appropriately manage a major incident also translates directly into protecting the environment and respecting the rights and wellbeing of COIs affected by an incident.

We classify an emergency as an incident that may result in substantial harm to COIs or damage to the environment and/or property. A crisis stems from an internal or external incident that may have strategic or organisation-wide impacts. Through our risk assessment processes, we have identified a range of potential incidents and events that could manifest in an emergency or crisis. These include virus outbreaks, accidents, fires, spills, security incidents, infrastructure failure, and natural disasters. We develop corporate, regional, and site-level emergency and crisis management plans and conduct training to

help us prepare for, respond to, and recover from emergencies or crises that could disrupt our operations. Our site-level community teams participate in emergency response and crisis management simulations and, where relevant, cooperate with local emergency services.

Our approach to emergency preparedness and crisis management is guided by the TSM Crisis and Communications Planning Protocol, which requires sites and corporate offices to establish crisis management plans and processes, conduct training, and run simulations and the TSM Crisis and Communications Management Guidelines, which set standardized, minimum requirements and procedures for sites to identify, prepare for, and manage emergencies and crises affecting the Company, our workforce, their families, local communities, and/or the surrounding environment.

During 2020, we updated our Crisis and Communications Management Guidelines to establish and clarify Pan American Silver's minimum requirements for each element of the TSM protocol. The updated Guidelines will be formally rolled out in 2021. These guidelines are a component of a more structured, uniform approach to business continuity procedures across our operations.

## TECHNOLOGICAL INNOVATION

Automation is taking on an increasingly important role in production processes, benefiting competitiveness by improving the stability and safety of production processes, equipment, and facilities. Following our Environmental Policy, we are dedicated to managing all our operations and our exploration and development activities in an environmentally responsible manner and in fulfilling this commitment, implementing new techniques and innovations that will assist us in meeting our challenges. We are committed to reducing our direct GHG emissions compared to baseline and forecasts by adopting proven technologies where and when practical and contributing to the transition to a low-carbon global economy by responsibly producing essential metals necessary for renewable

energy and carbon reducing technology solutions.

We use energy to mine, move, and process ore and waste rock as well as for mine ventilation and dewatering. The type and quantity of emissions from our operations are determined by the energy source and the nature of the way we mine and process ores that is largely dependent on the geology and mineralogy of the deposits. The energy used at our sites comes principally from diesel fuel for powering heavy mobile mine equipment and in some limited cases electrical power generation or purchased electricity from regional or national power supply grids.

Through our strategic focus on innovation, we are constantly evaluating new proven technologies to ensure that we are capturing the benefits of technological advancements in our industry. We see the adoption of new proven technologies and enhancing energy efficient operations as an opportunity to improve productivity and to find solutions to carbon emission reduction challenges, such as ventilation in the deeper underground operations and equipment selection for upgrades and new projects. The incorporation of innovative technological solutions into our new projects can also facilitate streamlined permitting processes and social acceptance. In addition to changing the production process, new technologies may have an unpredictable impact on the demand for the commodities we produce. It is expected that limiting rising temperatures will require significant investments in low-carbon technologies, which are often metal-intensive.

We are working with the Silver Institute on a new study to assess and communicate on silver's unique role in low-carbon energy solutions. Silver will play an increasingly important role in the energy transition away from fossil fuels. Silver paste is a key ingredient of photovoltaic cells used in solar panels. Transparent silver-coated windows and silver-coated polyester sheets used to retrofit windows reflect the sun's rays and significantly reduce cooling costs and energy usage. Silver is a critical element for reducing global carbon emissions and thus plays a key role in limiting

climate change. However, the carbon benefits generated by our products do not in any way reduce our commitment to minimize the direct and indirect carbon footprint of our activities. We will continue to build and adapt our climate strategy to contribute to achieving the goals of the Paris Agreement, net zero emissions, and a sustainable low carbon economy. We constantly assess opportunities to make our energy use more efficient, reduce GHG emissions, and minimize the use of water and other resources in our processes, with associated financial benefits.

As part of our ongoing work to improve the safety of our tailings, water, and heap leach facilities, we have investigated and developed a reliable system to provide real-time data related to the operating conditions of our critical facilities. In our tailings storage facilities at La Colorada, a real-time monitoring system has been implemented that includes the integration of systems for monitoring geotechnical instrumentation, such as piezometers, inclinometers, drain flows, etc. and settlement monuments by means of an Automatic Mechanical Total Station. As a result of this integrated system, the data obtained is processed and managed by a dedicated server that allows the visualization of real time variables, generation of trends, alarms for the control room operator and via e-mail, in addition to the shared management of the data through the network or different platforms. Our real-time monitoring system can be accessed remotely through the web, allowing responsible engineers to monitor facilities at anytime from anywhere and using real-time data.

We are expanding this technology to other sites. Our hope is that real-time monitoring of critical facilities will allow us to enhance geotechnical stability, improve the longevity of the structures, and to support informed decision-making. This will reduce the potential for a catastrophic failure and help us take quick and effective action to avoid any major incidents.

## WASTE MANAGEMENT

We take steps to reduce the production of waste and implement responsible waste management practices at our operations. The

main waste products generated by our mines are non-economic waste rock and tailings residue created by the extraction of our metal and concentrate products from the ore we mine. We strive to maximize the reuse of these materials as backfill in our underground operations and construction materials for surface infrastructure including tailings storage facilities, roads, and platforms for buildings and equipment. In 2020, we were able to reuse 2.5% of the waste rock and 7.1% of tailings residue generated. Seven of our nine operating mines (78%) generate some waste rock and/or tailings materials that could potentially generate acid rock drainage. We actively manage these materials to prevent the formation of acid rock drainage where possible. We use active or passive water treatment systems to neutralize acid drainage and prevent metals in downstream catchments wherever necessary at our sites.

Our operations also generate quantities of hazardous and non-hazardous industrial waste materials that require end-of-life recycling or disposal. When possible, our operations recycle or reuse these products. For example, used oil can become a heating fuel if using equipment that ensures complete combustion and emissions compliance. We recycle or reuse 30% of oil used compared to the total hazardous waste generated. For other waste, we follow local regulations for disposing of these materials, either on site or at local certified disposal facilities.

## 2020 Environmental Highlights

- Obtained renewable energy certification for our purchased electricity at our Morococha mine, making Morococha our first mine to operate on 100% renewable purchased electricity.
- Achieved 35% reduction in electrical energy consumption for freshwater pumping and 27% reduction in gasoline consumption at San Vicente mine.
- Installed national electricity grid connection of remote equipment at La Arena and Shahuindo.



- Developed our Energy, Emissions and Climate Change Standard, which covers activities potentially affecting energy use and emissions at all our operating mines, advanced projects, and closed mines.
- Our Timmins operation has a dedicated Energy Manager who leads energy efficiency and GHG emission reduction programs at that operation and maintains our participation in provincial energy incentive programs.
- Shahuindo received the third star from the Peruvian Government's voluntary Carbon Footprint program for its 2018-2019 "reduction report". We are one of 13 companies in the program to get the third star and the only mine to achieve such recognition for the development of long-term climate models as part of our ongoing physical risk assessments.

## 2021 ENVIRONMENTAL TARGETS

- Reduce GHG emissions by 11% compared to the 2021 base case<sup>2</sup>.
- Reduce energy use by 0.3% compared to the 2021 base case.
- Reduce water use by 6% compared to 2021 base case.
- Improve environmental audit performance.
- Achieve 80 hectares net positive impact on vegetation and biodiversity across all our sites.
- Reduce 11% of waste generation compared to the 2021 base case.
- 100% of implementation of action plans for all the environmental protocols.

To know more about our Environmental performance, please visit our [2020 Sustainability Report](#) and our [GRI & SASB data tables](#).

<sup>2</sup>The 2021 base case is our projected 2021 water use, energy use, GHG emissions, and waste generation, as calculated using our life of mine plans adjusted for annual production guidance.





# ANTI-CORRUPTION

## PRINCIPLE 10:

**Businesses should work against corruption in all its forms, including extortion and bribery.**

As a Canadian company listed on the TSX and NASDAQ stock exchanges, Pan American Silver must comply with securities regulations and exchange rules as well as requirements designed to protect investors and the integrity of financial markets. We must also adhere to applicable legislation in the jurisdictions where we operate. Because we operate predominately in Latin America, where political and economic conditions can be complex and challenging, it is imperative that we conduct our activities ethically, transparently, and apply industry best practices across all our operations. In addition, we choose suppliers that also adhere to ethical business practices. These practices are fundamental to managing risk, building trust with our communities of interest, and maintaining social acceptance.

Pan American Silver adheres to the highest standards of corporate governance, ethics, and transparency in the conduct of our business. Our Global Code of Ethical Conduct and related policies and guidelines provide the foundational tenets of ethical business practices, set corporate expectations, and lay the path for operational consistency in terms of responsibility and compliance with applicable laws, rules, and regulations. In operating jurisdictions where the risk of corruption is high<sup>3</sup>, we take additional measures to manage these risks.

<sup>3</sup>Guatemala, Bolivia, and Mexico are in Transparency International's 2019 Corruption Perception Index, as being at higher risk for corruption.

<sup>4</sup>Includes executive officers, vice presidents, country managers, directors, operation and unit managers.

<sup>5</sup>For further information, visit our [2020 Sustainability Report](#)

## GOVERNANCE AND SYSTEMS

- [Global Code of Ethical Conduct \(the Code\)](#)
- [Global Anti-Corruption Policy \(the AC Policy\)](#)
- [Supplier Code of Conduct \(Supplier Code\)](#)
- [Global Human Rights Policy](#)

## PROGRAMS AND INITIATIVES

- Training – Provided to employees in procurement, government relations and other roles that may be exposed to corruption risks.
- Whistleblower hotline – Allows directors, officers, and employees to report actual or potential breaches of the Code or Policy via phone or web, in English or Spanish, 24 hours a day, 365 days a year. The hotline is managed by an independent service provider.
- Supply chain due diligence system – Allows us to identify and manage supply chain risks. We are currently implementing this system in all countries where we operate, with the aim of reinforcing due diligence of medium and high-risk level suppliers.

## MONITORING AND COMPLIANCE

- All directors, officers, and employees are required to comply with our Code, AC Policy, and Guidelines and report any actual or potential unethical or illegal activity.
- The Board, officers, executives, and all senior management certify compliance with the Code and the Policy annually.

- The legal and compliance teams review and investigate all complaints made through the Whistleblower hotline; an independent audit is conducted annually.
- The Board's Nominating and Governance Committee provides oversight with respect to the Code.

Our Compliance Officer has independent functions and autonomy in the exercise of identification, prevention and remediation of risks and violations of the rules that regulate Pan American Silver, including the AC Policy, the Code, and the whistleblower program. The Compliance Officer oversees the progress of business units and management in ensuring that all operations and transactions incorporate the values and objectives set out in the Company's policies and procedures.

## ANTI-CORRUPTION RISK ASSESSMENT

Following the acquisition of Tahoe Resources Inc. in 2019<sup>5</sup>, we assessed all operations for risks related to fraud and corruption. Through this assessment, we identified our most significant potential corruption-related risks as: fraud perpetrated by (or in collusion with) third-party contractors/suppliers; raw materials or supply inventory theft; and government transactions and corruption. To address these risks, we have been focused on standardizing controls and processes across all operations. This effort includes employee training and the introduction of procedures to address country-specific risks where needed.

All new employees receive the Code and AC Policy upon commencement of employment. We also provide additional training for employees in roles that may be exposed to corruption risk. During the year, we conducted online training to elevate employees' understanding of our anti-corruption program and processes. 98% our mid- and senior-level management participated in this training. We also delivered anti-money laundering courses at our Shahuindo and La Arena operations in Peru.

In addition, we strengthened our operation-level donations policy. As a result, any donation now requires management approval to confirm that the purpose of the donation aligns with our values and that the Company derives no direct benefit.

## RESPONSIBLE SUPPLY CHAIN

### Supplier Risk Management

Being a responsible business also requires us to identify and mitigate supply chain-related risks, including those corresponding to corruption, environment, and human rights. In 2019, to better manage these risks, we developed our Supplier Code. The Supplier Code establishes our expectations and requirements for suppliers, along with their contractors and subcontractors, to:

- Comply with applicable laws.
- Conduct business in an ethical and environmentally responsible manner.
- Respect the rights, cultural diversity, and customs of local communities and indigenous peoples.
- Comply with Pan American Silver's AC Policy, Gifts and Hospitality Guidelines, and Global Human Rights Policy.

Our main corruption risk lies with our third-party contractors and suppliers. In 2020, we engaged with and educated suppliers and procurement teams in each jurisdiction on the Code's requirements. We also launched the implementation of a third-party supplier due diligence system, which is designed to help us screen and monitor both new and existing suppliers for compliance with our Supplier Code as well as for a range of risks. This includes annual due diligence reviews of a supplier's record on environmental, human rights, and ethical compliance, as well as on-going monitoring. This system will help us determine whether suppliers meet or exceed our minimum standards.

The due diligence system is currently being used to screen high-risk suppliers<sup>6</sup> in Peru. We have begun implementation of this platform in Mexico, Guatemala, Argentina, Bolivia and Canada.

For high-risk suppliers, complying with our Supplier Code and meeting a minimum scoring threshold are pre-conditions to working with Pan American Silver. If a supplier does not meet the threshold or if certain risk factors are triggered, we conduct additional due diligence to better understand the risk and determine whether the risk factor is still outstanding. We have reserved the right to terminate contracts with suppliers that pose significant risks or fail to abide by the Supplier Code. For certain high-risk contracts, we incorporate specific anti-corruptions provisions into the contract terms.

We have also begun the process of evaluating our operations against the World Gold Council Conflict-free Standard. This process is helping us screen for additional risks related to corruption and organized crime at our Latin American operations.

### Customer Risk Management

Although the risk is lower, we recognize the existence of corruption risks stemming from our relationships with some of our customers, which include refineries, bullion banks, and traders. We have therefore taken steps to develop risk criteria for screening customers and will be expanding our work in this area going forward.

## TRANSPARENCY

Pan American Silver pays taxes on taxable income generated through operations. Our approach to tax matters is aligned with the principles set out in our Code. In all jurisdictions in which Pan American Silver operates, we:

- Comply with local tax laws and regulations, including filing appropriate tax returns and related reports on a timely basis. We ensure that tax returns

and other filed reports are accurate and complete.

- Seek to maintain a good working relationship with local tax authorities. We respond to all requests for additional information in a timely, transparent, and accurate manner. If disputes arise, we work with the tax authorities to resolve them in an efficient and fair manner.
- Undertake tax planning to support the growth and development of the business in accordance with all applicable laws and regulations.

We have an offshore financial entity that provides insurance against certain risks at our worldwide mining operations. The activities of this entity are fully disclosed, as required, under the tax laws and regulations of the jurisdictions in which we operate.

We engage in numerous inter-company transactions, executing all such transactions using arm's length transfer prices. In accordance with the Organization of Economic Co-operation and Development (OECD) Principles of Corporate Governance, we make every effort to ensure that these arm's length transfer prices are supported by the necessary contemporaneous documentation.

Pan American Silver does not make any political donations or contributions in any of our host countries. We comply with the Canadian Extractive Sector Transparency Measures Act (ESTMA), which requires public reporting of payments to governments over CAD\$100,000. Our ESTMA reports can be accessed from our [website](#). In the interest of transparency, operations report all payments made to governments, regardless of the amount, to the Vice President of Accounting – Operations.

We publicly disclose payments in accordance with the Extractive Industries Transparency Initiative (EITI), and in Peru and Argentina we comply with the information requested by local governments to support their commitment to this initiative.

## 2020 ANTI-CORRUPTION HIGHLIGHTS

- All operations assessed for risks related to fraud and corruption.
- 98% of our mid- and senior-level management trained on anti-corruption programs and processes.
- Launched the implementation of a third-party supplier due diligence system, which will help us screen and monitor both new and existing suppliers for compliance with our Supplier Code.

## 2021 ANTI-CORRUPTION TARGETS

- 400 critical employees trained on corruption risks.
- 100% of Board members, officers, executives, and senior management are certified in accordance with the AC Policy and the Code.

<sup>6</sup>High-risk is defined after assessing factors including transaction amounts, the nature of goods or services supplied, and/or exposure to corruption risks.





We welcome any feedback related to this COP.

Please direct your comments or questions to [csr@panamericansilver.com](mailto:csr@panamericansilver.com)