



PAN AMERICAN
— SILVER —

2017

SUSTAINABILITY
REPORT



About Pan American Silver

Pan American Silver engages in silver mining and related activities, including exploration, mine development, extraction, processing, refining, and reclamation. The Company owns and operates silver mines located in Mexico, Peru, Bolivia, and Argentina. In addition, the Company is exploring new silver deposits and opportunities throughout North and South America.

Our vision is to be the world's pre-eminent silver producer, with a reputation for excellence in discovery, engineering, innovation, and sustainable development. To achieve this vision, we base our business on the following strategic objectives:

- Generate sustainable profits and maximize returns on investments through the safe, efficient, innovative and environmentally sound development and operation of our silver mines.
- Replace and grow our silver reserves through targeted near-mine exploration and global business development.
- Foster positive long-term relationships with our employees, our shareholders, communities, and local governments through open and honest communication and ethical and sustainable business practices.
- Continually search for opportunities to expand our silver mines and acquire quality projects.
- Encourage our employees to be innovative, responsive and entrepreneurial throughout our entire organization.

To execute these strategic objectives, 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 Pan American Silver to confidently advance early stage projects through construction and into operation.

Pan American Silver is determined to conduct its business in a responsible and sustainable manner. We do this by adhering to our core values of caring for the environment in which we operate, contributing to the long-term development of our host communities, ensuring safe and secure workplaces for our employees, partnering with our employees, local communities and government, and operating transparently.

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OUR PRODUCT





Operating Mines

Pan American Silver is determined to conduct its business in a responsible and sustainable manner. We do this by adhering to our core values of caring for the environment in which we operate, contributing to the long-term development of our host communities, ensuring safe and secure workplaces for our employees, partnering with our employees, local communities and government, and operating transparently.

25.0 Moz

TOTAL SILVER PRODUCTION IN 2017

160 koz

TOTAL GOLD PRODUCTION IN 2017

7,630

TOTAL EMPLOYEES AND CONTRACTORS

DOLORES

Location: Chihuahua, Mexico

Ownership: 100%

Mine Type: Open Pit/Underground

Average Daily Plant Throughput: ~20,000 tonnes

2017 Silver Production (Moz): 4.2

By-Products: Gold

Number of Employees and Contractors: 1,700

LA COLORADA

Location: Zacatecas, Mexico

Ownership: 100%

Mine Type: Underground

Average Daily Plant Throughput: ~1,800 tonnes

2017 Silver Production (Moz): 7.1

By-Products: Zinc, lead, gold

Number of Employees and Contractors: 1,100



- Mining Operations
- Development and Advanced Stage Exploration Projects

HUARON

Location: Pasco, Peru
Ownership: 100%
Mine Type: Underground
Average Daily Plant Throughput: ~2,500 tonnes
2017 Silver Production (Moz): 3.7
By-Products: Zinc, lead, copper, gold
Number of Employees and Contractors: 1,600

MOROCOCHA

Location: Yauli, Peru
Ownership: 92.3%⁽¹⁾
Mine Type: Underground
Average Daily Plant Throughput: ~2,000 tonnes
2017 Silver Production (Moz): 2.6
By-Products: Zinc, lead, copper, gold
Number of Employees and Contractors: 1,300

SAN VICENTE

Location: Potosí, Bolivia
Ownership: 95%⁽¹⁾
Mine Type: Underground
Average Daily Plant Throughput: ~950 tonnes
2017 Silver Production (Moz): 3.6
By-Products: Zinc, lead, copper
Number of Employees and Contractors: 600

MANANTIAL ESPEJO, JOAQUIN AND COSE

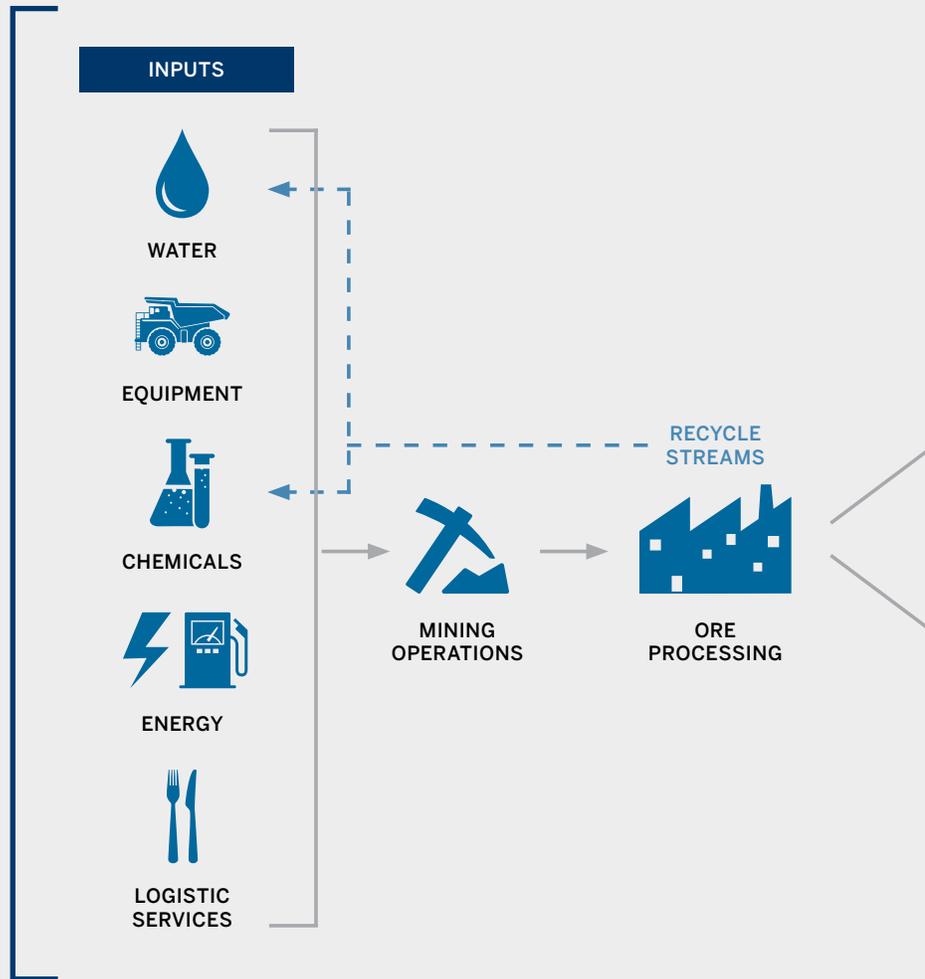
Location: Santa Cruz, Argentina
Ownership: 100%
Mine Type: Underground
Average Daily Plant Throughput: ~2,150 tonnes
2017 Silver Production (Moz): 3.1
By-Products: Gold
Number of Employees and Contractors: 600

(1) All figures reflect Pan American Silver's ownership in the projects.

OUR SUPPLY CHAIN

Mining in remote locations across Latin America requires a reliable supply chain and transport logistics for both supply materials and our products. Our service providers are primarily locally based companies or local subsidiaries of international service or consulting groups.

Our mines process ore to produce doré bars, an alloy composed primarily of silver and gold, or mineral rich concentrates, a mixture of base metals containing silver at a lower purity than doré. Our doré is sold to refiners who further refine it to produce silver and gold bullion. We sell our concentrates to traders or smelters, where it is further processed and refined to marketable products. Once refined, the principal buyers of silver and gold bullion are international bullion banks and traders.



PRODUCTS

METAL CONCENTRATES

SILVER, ZINC, LEAD, COPPER AND GOLD

LA COLORADA, HUARON, MOROCOCHA, SAN VICENTE

CUSTOMER



CONCENTRATE



TRANSPORT



SMELTER

DORÉ

REFINED SILVER AND GOLD BARS

LA COLORADA, DOLORES, MANANTIAL ESPEJO



DORÉ



TRANSPORT



REFINERIES



REFINED METAL



PRECIOUS METALS MARKET



Our Goals and Performance

One of the most significant organizational changes made in 2017 was that our six mines developed their own sustainability goals according to a common set of indicators.

Our decentralized organizational design is fundamental to creating reliable and meaningful outcomes by encouraging strong employee commitments to setting and achieving goals. Our annual goals and objectives are largely established by our employees and supervisors, encouraging a high level of understanding and

commitment by those who actually carry out our day-to-day business activities. Some of the common indicators established are denominated in the table below with codes OG (Operations/Safety), PA (Environment), and PS (Social). Please see our 2017 Annual Report for our business and economic goals.

2017 RESULT

HEALTH AND SAFETY

Despite meaningful efforts of enhancing our safety programs throughout the organization, we regrettably incurred two fatalities at our mines during 2017. ✗

Reported a lost time injury frequency (LTIF) rate of 1.26, above our 2017 goal of 1.2 or less. ✗

Reported a lost time injury severity (LTIS) rate of 771, above our 2017 goal of 400 or less. ✗

LABOUR

Delivered two modules of our Leadership Development Program. ✓

Updated our liveable wage study in locations where we operate. ✓

COMMUNITIES

Improved the accessibility of sustainability reporting and conformance with the Global Reporting Initiative Standards. ✓

Increased the numbers of stakeholders engaged through our annual engagement process and increased the participation of stakeholder groups in countries where we operate. ✓

2018 GOALS

OG1: Achieve zero fatalities by continuing the implementation of our serious accident prevention program and enhance programs with meaningful improvements.

OG1: Achieve an LTIF of 1.2 or less.

OG1: Achieve an LTIS of 400 or less.

Continue to develop future leaders by conducting leadership workshops for employees across all operations, and encourage skills development and education programs within our organization.

Evaluate whether liveable wage study should be updated according to overall labour market conditions.

PS1: Achieve zero significant social conflicts at our operations through engagement, resolving grievances, and social auditing.

PS2: Continue to expand our community engagement activities through greater participation in our corporate survey and more in-depth engagement in our CSR projects.

2017 RESULT

2018 GOALS

COMMUNITIES

With the additions of the Joaquin and COSE projects in 2017, implementation of our social grievance mechanism program near our Argentina operations has been postponed until 2018.



Continued to implement and improve our Community Development Initiative (CDI) Toolkit while adjusting for lessons learned.



Updated and expanded our social audit process to include questions related to security and human rights.



Extended our Llama breeding program in Bolivia for three years.



Continued to build our relationship with the Mining Association of Canada (MAC).



Continued to apply local procurement practices across all operations.



PS3: Improve access to quality education in the communities near our mines.

PS4: Improve access to better health care in the communities near our mines.

PS5: Develop additional alternative economic opportunities in communities near our mines.

ENVIRONMENT

Achieved zero significant environmental incidents (SEI) during the year.



Defining energy and water guidelines for our operations was deferred into 2018 while we focused on completing our TSM self-assessments.



Successfully advanced the Alamo Dorado closure according to plan. Implementation of TSM Biodiversity protocol advanced on track.



Developed a suite of sustainability indicators, including waste management, for goal setting and improving practice at our mines.



Conducted TSM training for staff from all sites and presented implementation plan to senior management. Adaptation of management systems and guidelines to TSM is on track.



Formally defined corporate and site staff accountable for tailings management in accordance with TSM tailings protocol.



PA1: Achieve zero SEI's at our operations.

PA2: Improve on annual environmental audit performance.

PA3: Reduce water use compared to "business as usual" by implementing optimally designed projects at our operations.

PA4: Substantially complete active physical reclamation activities at Alamo Dorado and conduct interim reclamation projects at our active operations.

PA5: Reduce hazardous and non-hazardous waste generation at our operations compared to "business as usual".

PA6: Implement projects that can potentially reduce energy use at our operations compared to "business as usual".

PA7: Implement projects that can potentially reduce greenhouse gas emissions at our operations compared to "business as usual".

PA8: Complete self-assessments under TSM program and develop action plans for each operation to achieve "A" level compliance within two years.

Chairman's Message

ROSS BEATY | CHAIRMAN

In 1994, I founded Pan American Silver with a simple mission: to become the world's best silver mining investment. I wanted to build a world class mining company with solid and dependable returns - and a company that would do that while being as much as possible a leader in sustainability.

Everything humans do has impact, and mining is obviously no exception. Our mines have many negative effects on the local environment and the social and economic fabric of local communities. However, these impacts can be minimized as much as possible with dedicated attention to the principles of sustainability. I am very proud of how Pan American strives to do this at all of its operations.

I recognize that the term "sustainable mining" is an oxymoron, in that mining is non-renewable. So what does "sustainable mining" mean at Pan American? It means minimizing environmental impacts and protecting the ecosystem in and around our mining sites. It means ensuring safe and healthy work places for employees and contractors. It means partnering with our employees, contractors, communities and host governments to create long-term economic benefits. And it means creating the best possible conditions for a community to thrive after our mines close.

We always ask ourselves: how we can mine better? One way we achieve this is through honest and transparent dialogue. Communicating and working with our peers, communities, and the NGO community helps us create better solutions from diverse views. It also helps us understand emerging issues and develop tools and technologies to improve our business.

In late 2016, we joined our peers in the Mining Association of Canada and began work on implementing the Towards Sustainable Mining frameworks and protocols. Our participation in this process will help us identify and implement world-leading social and environmental practices, as well as strengthen our health and safety programs.

It is the collective efforts of all of those who work at Pan American Silver that enable us to maintain our stellar reputation.



Another ambitious commitment we made was joining the World Economic Forum's Alliance of CEO Climate Leaders. This global network of board chairs and CEOs is leading the transition to a low-carbon and climate-resilient economy. Mining operations are not immune to the impacts of climate change, or to the regulatory impacts of mitigation and adaptation. Our participation ensures that we are in dialogue with our peers so that we are best prepared for challenges and opportunities related to climate change. I also observe that much of the silver we produce now helps fight the war on climate change - silver's largest single use today is in photovoltaic cells that produce solar energy, a profound part of the shift from fossil fuel energy to renewable energy.

We continue to use the United Nations Sustainable Development Goals as a framework for our sustainability work. The seventeen indicators enshrined in this framework are ambitious and comprehensive. They ensure that we approach our strategy in a holistic fashion and the efforts that flow from the Sustainable Development Goals have lasting positive impacts in the places where our mines operate.

A good company is one that rewards its shareholders. A great company is one that also looks after its employees, contractors, environment, communities and countries where it works. I am very proud of our team's sustainability achievements. It is the collective efforts of all of those who work at Pan American that enable us to maintain our stellar reputation - as a great silver mining company and a great leader in sustainability.

President's Message

MICHAEL STEINMANN | PRESIDENT & CEO

At Pan American Silver, we are committed to improving our productivity, cost-efficiency, and long-term sustainability, and our 2017 results reflect our progress towards each of these goals. The successful completion of two mine expansions in Mexico increased mine productivity through innovative enhancements, bringing additional employment and investment to those regions. We also successfully replaced our mined mineral reserves during 2017, increasing the overall life of our mines. Long-term mining operations provide value and enable us to more effectively contribute to sustainable development by leaving a lasting improvement in the lives of the people in areas where we work.

This manifests itself in better trained people living around our operations, better health facilities, better education, better availability of services, a cleaner environment, and better access to water, road and power infrastructure.

What is core to our sustainability approach, and to our success, is our belief that sustainability is achieved through partnerships and collaboration. Our partners include our employees, governments and community members with diverse backgrounds, cultures, and educational training.

This is what makes our approach robust, committed, and successful. We engage and collaborate with local communities, whose input helps us to manage the potential effects of our operations, identify and provide employment opportunities, and develop programs that will deliver lasting benefits. Social workers, public health experts, engineers, and community members provide the necessary expertise to deliver community and social programs. We create opportunities for our sites to share learnings and successes. Pan American Silver's leadership team, the majority of whom have been with the company for over a decade, share a deeply engrained commitment to implementing our

We engage and collaborate with local communities, whose input helps us to manage the potential effects of our operations, identify and provide employment opportunities, and develop programs that will deliver lasting benefits.



corporate values. This sets a strong example for employees and our communities.

This approach has yielded key accomplishments in 2017. We transitioned our Alamo Dorado mine to the reclamation phase and our closure plan was the first ever approved formally by the Mexican environmental authority under new procedures. Our experience at Alamo Dorado has shown that our operations can leave a positive legacy in the communities, with improved infrastructure that will continue to provide sustainable value long after mining is completed. In 2017, we continued the 11 social development programs that provide long-term benefits for our host communities. We supported nearly 5,000 students in obtaining primary and tertiary education and support the continued development of 72 local companies providing services and supplies to our mines.

However, 2017 was not without its challenges. Health and safety is a top priority and we have achieved major improvements on all indicators for more than a decade. Zero fatal accidents is our long-standing goal and we continue to work to achieve this through robust safety training and implementing a serious accident prevention program. Despite our team's best efforts, we experienced two fatalities at our mines. Both accidents were thoroughly investigated, and collaboration with the local unions and governmental agencies has led to improvements in our miners' adherence to safe workplace practices.

We know that our actions speak louder than words, and so we continue to work hard to achieve the goals and objectives stated in this report. A healthy environment, a healthy workplace and a healthy community in the areas where we operate all help build Pan American Silver into a better company. Our success in achieving this will make us a more profitable company too – not just in financial terms, but in human terms and in reputation, something so easy to lose and so hard to achieve.



About This Report

We are proud to release our eighth annual sustainability report. Our reports communicate 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 sustainability goals and initiatives. Reporting also allows us and stakeholders to benchmark our performance against industry peers.

AUDIENCE

The intended audience of this report is our stakeholders, referred to in this report as communities of interest or COIs. This group includes shareholders, employees and contractors, local communities, governments, suppliers, industry associations and regulatory agencies, non-governmental organizations and civil society.

CONTENT

We consult with COIs on an annual basis to identify the topics that are most material to them. This

report describes our management approach for and performance on these topics in the context of our overall sustainability and business strategy.

SCOPE AND BOUNDARY

The scope of this report covers our six producing mines: La Colorada and Dolores in Mexico, Huaron and Morococha in Peru, Manantial Espejo in Argentina, and San Vicente in Bolivia. Alamo Dorado is now in full-scale closure, however operating, people management, economic, environmental and social data was included in this report. With the exception of data and information related to environment, safety and people management, our projects and exploration are excluded from the scope of this report. When applicable, we include information regarding our headquarters in Vancouver and regional offices.

Material topics may have impacts on COIs internally, externally or in the value chain. The boundary for each topic is noted in the relevant report section.

SIGNIFICANT CHANGES TO REPORTING SCOPE

Alamo Dorado ended its productive life in Q2 of 2017. The project is continuing into the reclamation phase. Certain trend data in this report will reflect this change.

CONTACT

We welcome any feedback related to this report. Please direct your comments or questions to Matt Andrews, Vice President of Environment and Sustainability, or Monica Moretto, Director of CSR and Sustainability, at csr@panamericansilver.com.

ADDITIONAL DETAILS

Reporting period	January 1 to December 31, 2017
Reporting cycle	Annual
Date of last report	May 2017
Reporting framework	Global Reporting Initiative (GRI) Standards: core option; GRI Mining & Metals Sector Disclosures. The GRI content index can be found on page 72.
Data and assurance	Data contained in this report has been reviewed internally at both the site and head office level. Certain economic data has been extracted from our 2017 Audited Annual Financial Statements, which has been assured by our external financial auditors. Data is reported using the metric system and US dollars.
Additional Information	In addition to annual sustainability reports, we disclose our operating and financial results on a quarterly and annual audited basis, along with details of exploration and development projects that will sustain our future business. These reports are available on our website.

STAKEHOLDER ENGAGEMENT

Engagement is a core practice at Pan American Silver as our business is in many ways dependent on establishing positive relationships and trust with COIs, such as governments, local communities, employees and contractors that interact with our operations. We engage COIs before starting new projects and continue to engage throughout the mine life cycle.

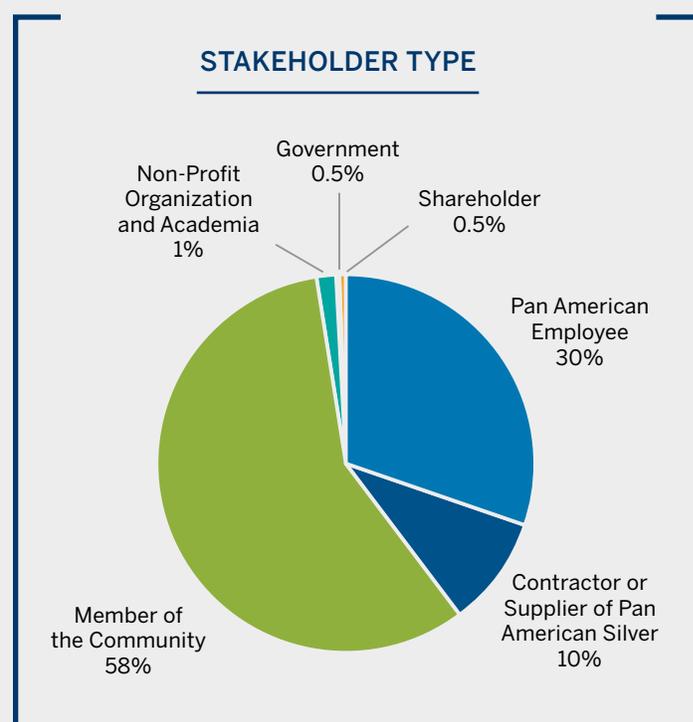
In recent years, we have strengthened our COI engagement process by taking a more structured and strategic approach, in order to help us identify and manage potential impacts and sustain constructive relationships with COIs. These processes include:

- Mapping to identify a broad range of COIs from governments, academia, civil society and industry associations, in addition to employees, contractors, and local communities.
- Developing tools and resources to support more effective engagement processes, measure their effectiveness, and help us understand and manage stakeholder expectations.
- Ongoing dialogue with COIs allows us to determine which issues or topics are the most important to them.
- Social baseline assessments to better understand our impacts on our host communities.

Annually, we augment the feedback obtained from our teams on the ground with a survey, the results of which form our materiality assessment.

In 2017, we sent out questionnaires to COIs identified in our mapping processes. A total of 613 individuals responded to our survey, up 25% from 489 in 2016.

The breakdown of the respondents is shown below.



The survey results are discussed in the next section.



Materiality

Our materiality assessment helps us define and analyze the impacts of our business on COIs and enables us to more effectively manage our issues as well as identify goals and priorities for our sustainability planning and strategy.

In this section, we define material topics as those of high importance to COIs as well as our most significant sustainability impacts and opportunities to contribute to sustainable development where we operate.

OUR PROCESS

Our process to identify material topics is informed by the GRI's Reporting Principles for defining report content.

ISSUE IDENTIFICATION:

- We identify initial material topics through on-going COI engagement, existing business processes and Pan American Silver's strategic business priorities
- We identify additional issues and trends through participation in industry groups and associations.
- We also consider local laws and regulations, international norms and standards, and frameworks, including the GRI.

ANALYSIS AND PRIORITIZATION:

As part of our reporting process, we annually survey COIs. In 2017, we provided select COIs with an initial list of 35 sustainability topics related to Pan American Silver's business and asked them to choose the 10 topics most important to them. We then asked them to rank the topics identified from 1 to 10. Our internal team compiled the results and generated overall scores representing the significance of each topic to COIs.

Internal experts assess the same topics from an impact perspective, considering stakeholder expectations, importance to the mining industry, and Pan American Silver's business priorities, management systems, and ability to influence each topic. Topics are considered material for reporting if their combined score of significance to stakeholders and impact significance is more than 10. To see our full materiality assessment, visit our 2017 Sustainability Report website.

The internal sustainability team further refined the material topics by amalgamating and categorizing topics into nine high-level topics for ease of reporting.

In certain cases, we have reported on topics which, although not priorities for our COIs, are relevant to our industry and included in the GRI Mining and Metals Sector Supplement.

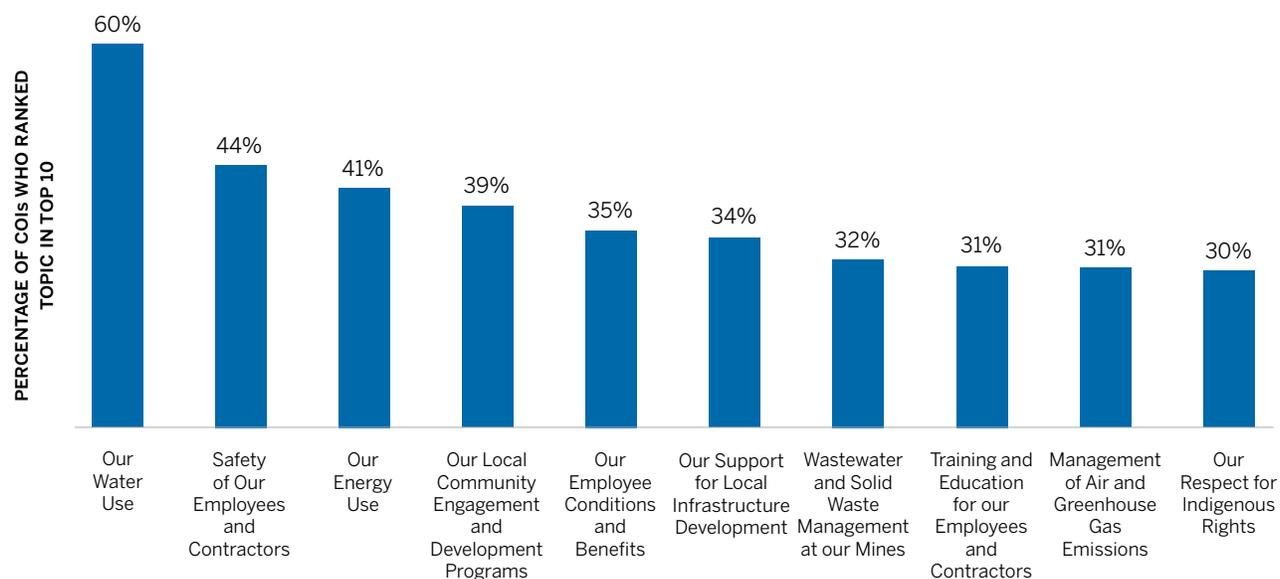
2017 MATERIAL TOPICS

Material Topics	Sub-Topics	Definition	GRI Indicators	UN Sustainable Development Goals
Community				
Community investment and social development	Community engagement	Contributing to the social and economic well-being of local communities	201-1 Direct economic value generated and distributed	Goal 1: No Poverty Goal 2: Zero Hunger
	Economic impact		203-1 Infrastructure investments and services supported	Goal 4: Quality Education
	Social development programs		203-2 Significant indirect economic impacts	Goal 8: Decent Work and Economic Growth
	Infrastructure investment		204-1 Proportion of spending on local suppliers	Goal 10: Reduced Inequalities
	Local hiring and procurement		413-1 Operations with local community engagement, impact assessments, and development programs	Goal 11: Sustainable Cities and Communities
			MM6 Numbers and description of significant disputes relating to land use, customary rights of local communities, and indigenous people	Goal 17: Partnerships for the Goals
			MM7 Grievance mechanisms used to resolve disputes related to use and customary rights of local communities and indigenous people	
Human rights	Non-discrimination	Respecting human rights and managing our potential impact on rights holders	406- 1 Incidents of discrimination and corrective actions taken	Goal 16: Peace, Justice and Strong Institutions
	Respect for indigenous rights		407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	
	Training of security personnel		408-1 Operations and suppliers at significant risk for incidents of child labour risk	
			409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	
			410-1 Security personnel trained in human rights policies	
			411-1 Incidents of violations involving rights of indigenous people	
			MM5 Total numbers of operations taking place in or adjacent to indigenous people's territories and formal agreements made	
			MM8 Artisanal mining	
			MM9 Resettlement	

Material Topics	Sub-Topics	Definition	GRI Indicators	UN Sustainable Development Goals
Our People				
Health and safety		Protecting the health, safety and well-being of our employees, contractors, communities	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Goal 3: Good Health and Well-Being
Employee attraction, retention, and development	Employment conditions	Creating the conditions to attract, retain and develop a talented workforce	202-2 Proportion of senior management hired from the local community	Goal 8: Decent Work and Economic Growth
	Employee training and development		410-1 New employee hires and employee turnover	Goal 5: Gender Equality
	Inclusion and diversity		404-1 Average hours of training per year per employee	
	Labour relations		405-1 Diversity of governance bodies and employees	
			MM4 Number of strikes or lockouts exceeding one week's duration	
Environment				
Water		Managing the impacts of our activities on water availability and optimizing our water use	303-1 Water withdrawal by source	Goal 6: Clean Water and Sanitation
			303-3 Water recycled and reused	Goal 12: Responsible Production and Consumption
			306-1 Water discharge by quality and destination	Goal 14: Life below Water
Air emissions and energy	Air emissions management	Reducing our energy consumption and greenhouse gas emissions	302-1 Energy consumption within the organization	Goal 7: Affordable and Clean Energy
	Energy use		305-1 Direct Greenhouse Gas (GHG) emissions (tonnes CO ₂ eq)	Goal 12: Responsible Production and Consumption
			305-4 GHG emissions intensity	Goal 13: Climate Action
Biodiversity and mine closure	Biodiversity management	Mine closure planning and management to minimize negative impacts on the environment, including biodiversity	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas;	Goal 11: Sustainable Cities
	Mine closure		304-2 Significant impacts of activities, products, and services on biodiversity	Goal 14: Life below Water
			304-3 Habitats protected or restored	Goal 15: Life on Land
			MM1 Amount of land disturbed or rehabilitated	
			MM2 Total sites requiring biodiversity management plans	
		MM10 Number and percentage of operations with closure plans		
Tailings and waste management	Tailings facility management	Managing tailings facilities and waste disposal	306-2 Waste by type and disposal method	Goal 12: Responsible Production and Consumption
	Solid waste management		306-3 Significant spills	
	Spills		MM3 Total amounts of over burden, rock, tailings, and sludges	

Material Topics	Sub-Topics	Definition	GRI Indicators	UN Sustainable Development Goals
Governance				
Business ethics and anti-corruption		Ensuring good corporate governance through ethical business practices and anti-corruption	205-1 Operations assessed for risks related to corruption 205-2 Communication and training about anti-corruption policies and procedures	
Other				
Emergency management		Maintaining effective emergency management and crisis management systems		Goal 12: Responsible Production and Consumption

TOP 10 SUSTAINABILITY TOPICS OF INTEREST⁽¹⁾



(1) As part of our reporting process, we annually survey our communities of interests (“COIs”). In 2017, we provided select COIs with a list of sustainability topics related to Pan American Silver’s business and asked them to choose the 10 topics most important to them.

Sustainability and Our Business

STEVE BUSBY | COO

Our vision sets out our path to building a reputation for excellence in discovery, engineering, innovation and sustainable development. I have worked at Pan American Silver for nearly 15 years and am inspired on a daily basis to turn this vision into action. From an operational perspective, sustainability is complex and at times difficult, so we are particularly proud when our actions and investments yield economic, social and environmental gains.

Being an organization with a decentralized approach to decision-making has enhanced our ability to overcome local challenges and develop deeper relationships with the communities where we operate. We have also realized that a top down approach to implementing sustainability goals does not have the same impact as goals generated by our individual sites. In 2017, our mine sites created their own sustainability goals in the areas of production, energy, water, social, environmental, and tailings management. These goals are linked to specific projects or programs, which allow each mine to set realistic goals within local constraints and opportunities. I am excited to see how these goals will drive performance in the coming years.

Innovation is a key component of our vision and strategy. Our continued investment in innovation has been a crucial part of our sustainability success. We have invested heavily in solutions that improve the overall health and safety of our workers. We actively sought out opportunities to co-develop and employ new technologies and production methods with our local workforce. We have invested in state-of-the-art technologies that will make our mines safer and our production more efficient. Some of these technologies will also extend the mine life span, thereby allowing



us to continue providing meaningful employment opportunities to our host communities and countries.

In Mexico, the new mine shaft at La Colorada has been outfitted with the most modern safety and technology features available. The new shaft reduces the amount of time it takes employees to reach the mine face and for ore to be hauled to the surface, while improving ventilation and safety systems.

At Dolores, we are pioneering a new pulp agglomeration processing circuit that has the ability to improve the extraction and recovery rate for our higher-grade ores. This innovative process means that we avoid having to build conventional tailings facilities, thereby reducing the potential environmental footprint of the operation.

In Peru, we developed equipment with local suppliers that allowed for the mechanized mining of narrow veins, making narrow vein mining safer for our workers. The adoption of mechanized mining methods on narrow veins also reduces costs and increases our ability to access new reserves.

As Chief Operating Officer, I appreciate the daily challenges of turning a sustainability vision into a reality. I take great pride in working with our teams at each location who conduct complex mining processes, in a manner where employees can focus on creating fewer environmental impacts and can meaningfully contribute to improvements in the overall health and well-being of their communities.

Through further investment in innovation, I am confident that Pan American Silver will continue to develop industry-leading practices that enable us to be a leader in sustainable mining well into the future.

Governance and Sustainability Management

BOARD OF DIRECTORS

Good governance requires strong leadership to ensure that the values and vision of the corporation are integrated into everyday business decisions and strategies. Our Board of Directors oversees the direction and strategy of the business and the affairs of Pan American Silver, guided by legislative and other governance standards, stock exchange rules, and industry best practices. The Board has overall responsibility for corporate governance matters through:

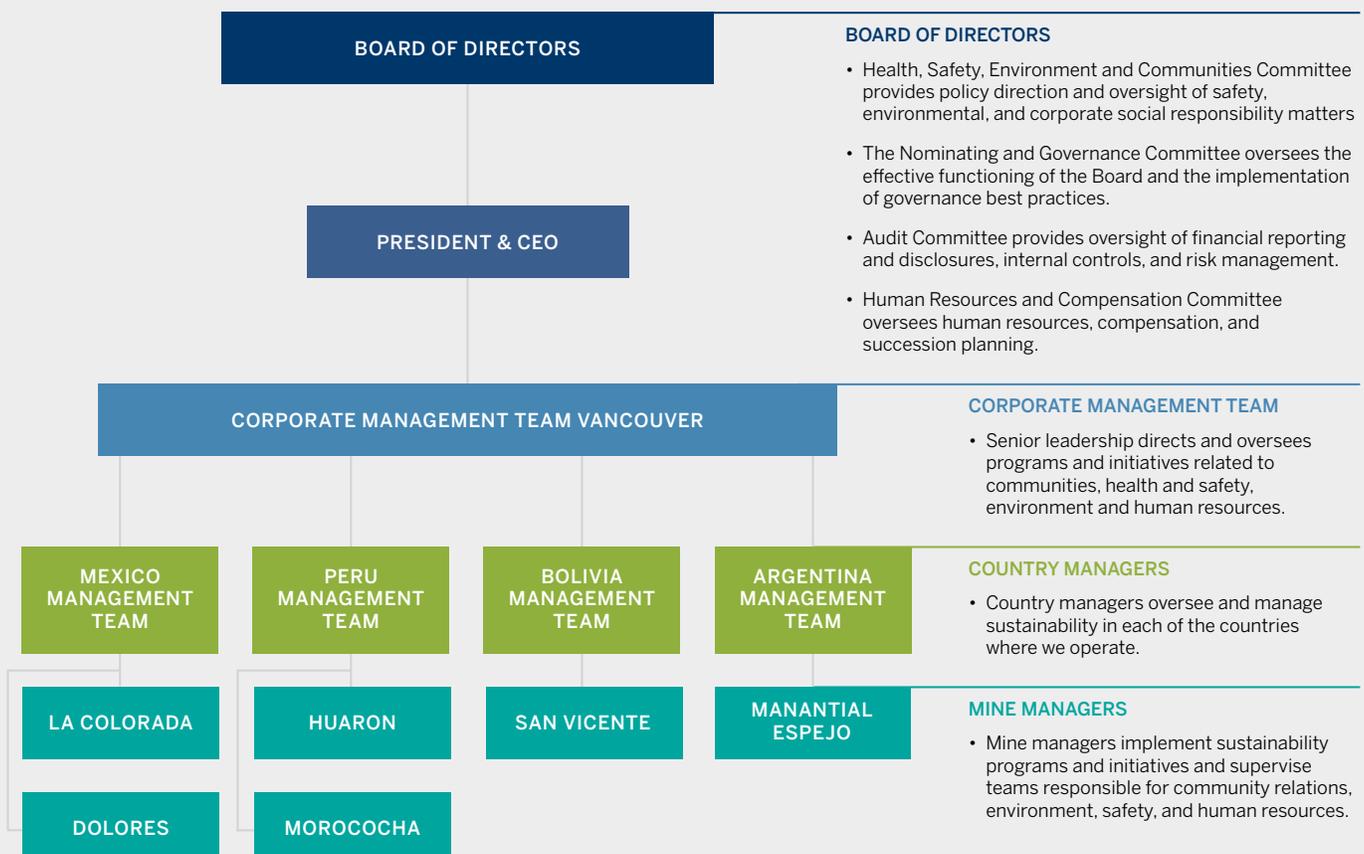
- Developing and approving corporate policies and guidelines
- Assisting in the definition of corporate objectives and assessing key plans
- Evaluating our performance on a regular basis

- Ensuring that the Company has qualified executives and senior managers to lead day-to-day operations

For additional details on our Board mandate, members, committees, policies, and processes, please refer to the Company's most recent Management Information Circular available on the Company's website at www.panamericansilver.com or at SEDAR at www.sedar.com.

SUSTAINABILITY GOVERNANCE STRUCTURE

Sustainability is embedded in our vision, values, and business strategy. Governance and oversight of sustainability at Pan American Silver starts at the Board level and cascades to our sites. The chart below shows the roles directly responsible or accountable for our sustainability performance. Our full organizational chart can be found online.

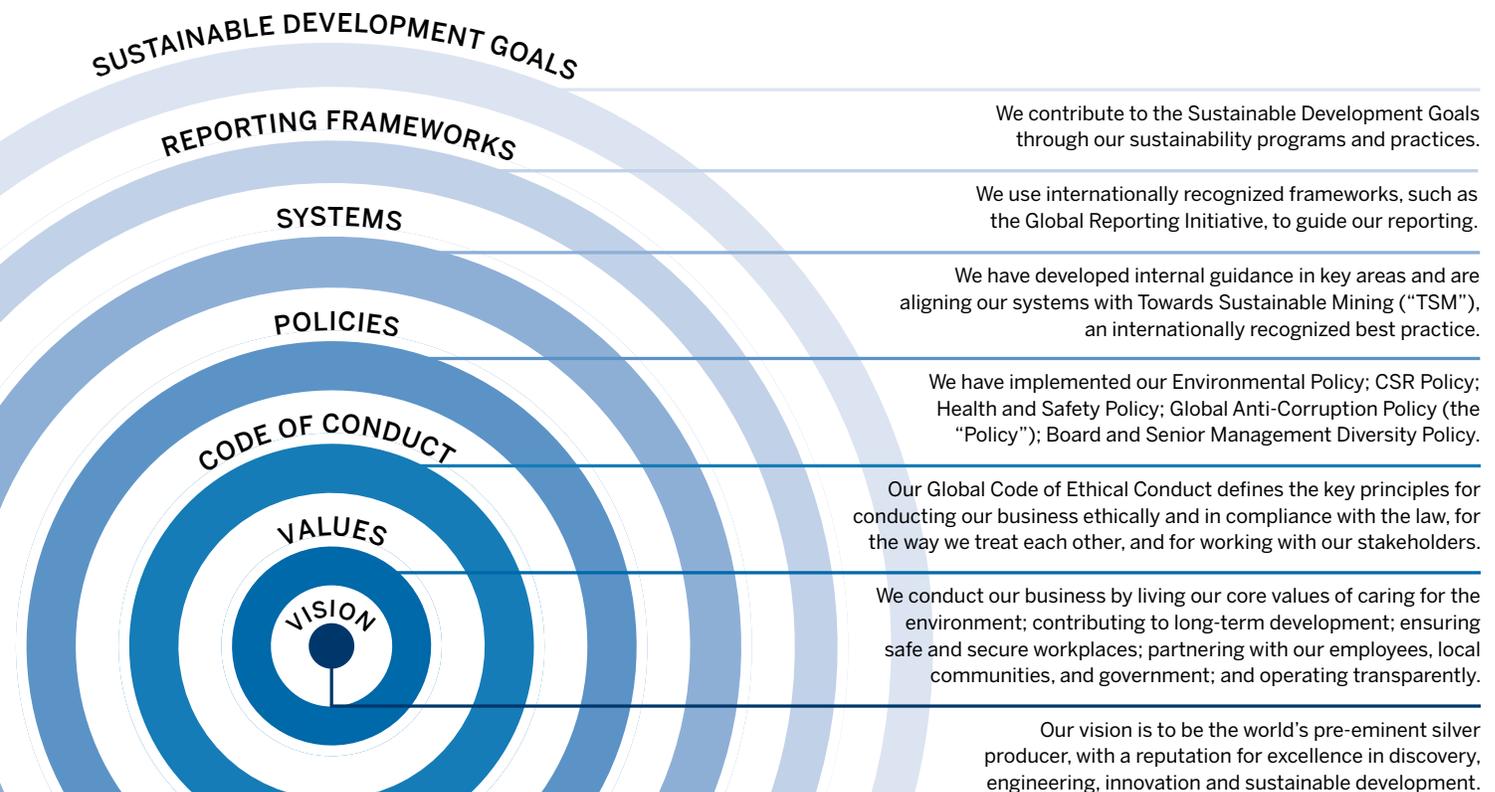




Sustainability Management and Integration

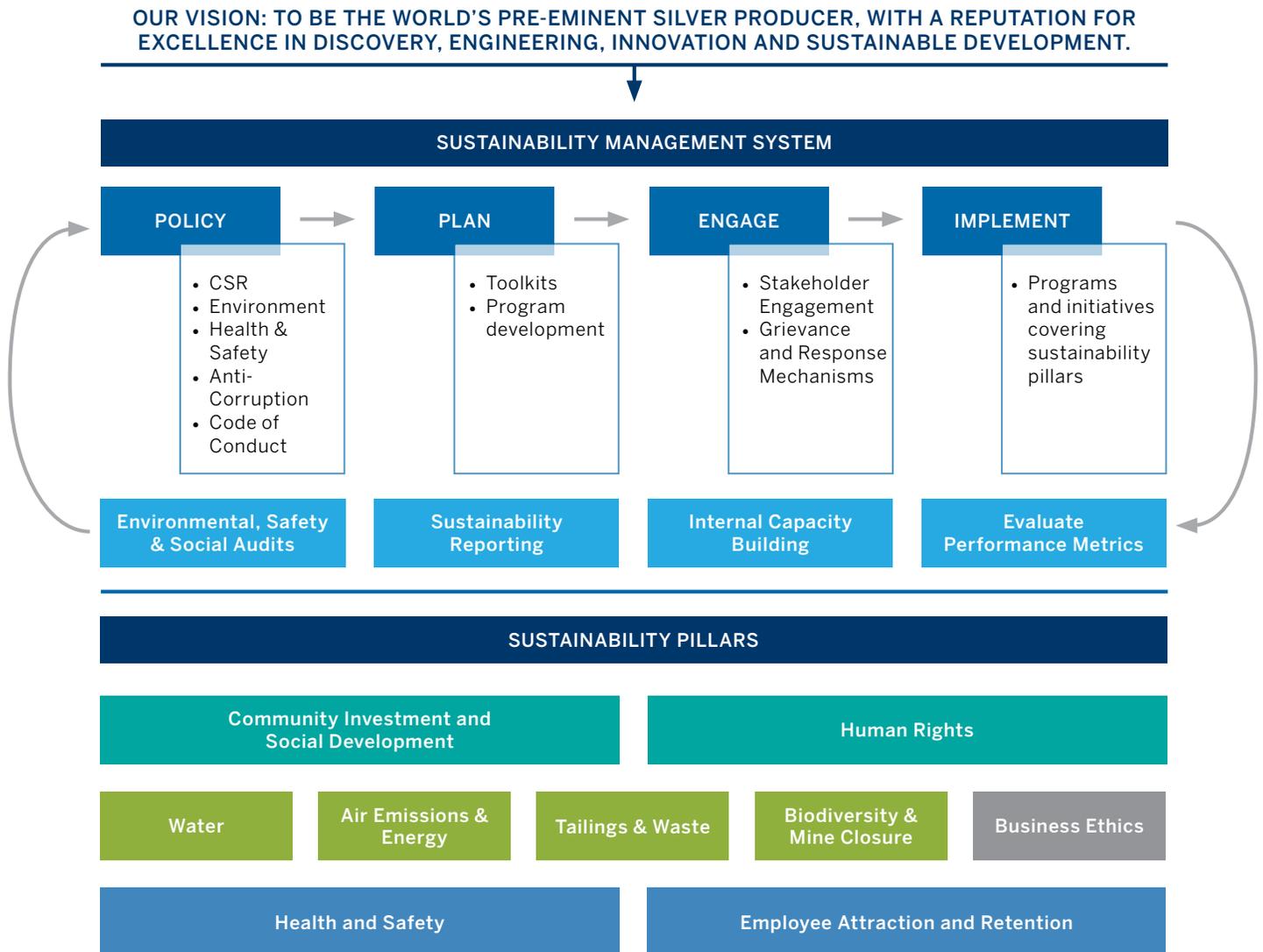
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Our framework for sustainability management is designed to consider the external factors that affect our industry, including market uncertainties and increasingly complex economic, environmental and social issues.



SUSTAINABILITY IMPLEMENTATION STRATEGY

We use a modified plan-do-check-act cycle to ensure our programs and initiatives align with our vision and values, mitigate our impacts, and contribute to long-term sustainability in our communities. Our nine pillars constitute the primary focus areas for our sustainability programs and initiatives.



We can't expect to control these external factors, but we can develop an approach to help us navigate risk and deliver value to COIs. Our sustainability framework provides us with a consistent approach to operating in an ethical and responsible manner in compliance with applicable laws and best practices.

EMERGENCY PREPAREDNESS AND CRISIS MANAGEMENT

Emergency preparedness and crisis management is a component of sustainability management. We are not only responsible for the health and safety of our own workforce, but also for managing any potential impacts

on local communities and the environment from incidents outside normal operations, such as fires, spills, and infrastructure failure. Effective emergency preparedness requires both effective response to an incident and an informed and prepared community and local government agencies.

CRISIS MANAGEMENT ORGANIZATIONAL CHART



In 2017 our corporate crisis management team reviewed our handling of prior minor events and used the lessons learned to update our Crisis and Communications Management Guidelines, which are in accordance with the TSM Crisis and Communications Planning Protocol. Our site staff received training on implementing the TSM protocol. All our sites have emergency response plans, which are linked to the corporate guideline. Where relevant, our site teams work with local emergency services on training and coordination with nearby mining operations.

SUSTAINABLE DEVELOPMENT GOALS

Launched in 2015, the United Nations' 17 Sustainable Development Goals (SDGs) collectively created an agenda, the 2030 Agenda for Sustainable Development (2030 Agenda), to transform the world by overcoming barriers to economic, social, and environmental progress by 2030. The 17 SDGs are ambitious and follow a model based on people, planet, prosperity, peace and partnership.

We believe our industry has enormous potential to drive future progress on the SDGs, as mines are often situated in remote and under-developed regions

where achievement of the SDGs can have large and lasting impacts. Pan American Silver is committed to contributing to the achievement of the SDGs and the 2030 Agenda. We align the SDG's with our material topics (see materiality table), which connects to our core business strategy through the pillars in our sustainability implementation strategy (above). By conducting our activities in an environmentally and socially responsible manner and contributing to the prosperity of the communities and nations where we operate, we are helping to bring positive change through each of the SDGs. Our programs in support of the SDGs are described throughout the report. A full list can be found on our website.



Business Ethics and Anti-Corruption

WHY IS BUSINESS ETHICS AND ANTI-CORRUPTION IMPORTANT?

The mining industry has exposure to risk and operates in a complex and demanding legal and regulatory environment under cyclical market conditions. As a Canadian company listed on the TSX and NASDAQ stock exchanges, Pan American Silver must comply with securities regulations and exchange rules and requirements designed to protect investors and the

integrity of financial markets. We also must adhere to government legislation and regulations that apply in the various jurisdictions where we operate. The legal and legislative framework may vary depending on the jurisdiction, but as a Canadian company, we are expected to conduct our activities to the highest possible standards when feasible and apply industry best practices at home and abroad.

Topic	Definition	Feedback from COIs	How We're Responding
Business ethics and anti-corruption	Ensuring good corporate governance through ethical business practices and anti-corruption	Analysts and shareholder groups are requesting increased transparency related to corporate governance	<p>We updated our Global Code of Ethical Conduct and Global Anti-Corruption Policy, developed our new Gifts and Hospitality Guidelines, and rolled out a communications strategy, training program, and whistleblower hotline.</p> <p>We have enhanced references to our anti-corruption expectations in our contracts.</p>

OUR APPROACH

Pan American Silver is committed to achieving high standards of corporate governance, ethics and transparency in the way we conduct our business. Our codes and policies together provide the fundamental tenets of ethical business practices, set corporate expectations and guide us to consistently operate in an ethical and responsible manner in compliance with applicable laws, rules and regulations.

- Our Global Code of Ethical Conduct (the Code) defines the key principles for conducting our business ethically and in compliance with the law, for the way we treat each other, and for working with COIs.
- Our Global Anti-Corruption Policy (the Policy) articulates our position of prohibiting bribery, corruption, and other means of obtaining an improper business advantage.

- Our Gifts and Hospitality Guidelines (the Guidelines) supplements the Policy by providing additional guidance for employees dealing with government officials.

Our Code, Policy and Guidelines apply to all of our directors, officers and employees. Both are reviewed and updated by the Board as necessary to ensure we are current with evolving governance and ethics practices. The Nominating and Governance Committee and the Audit Committee monitor compliance with the Code, and the Board is responsible for granting any waivers from the Code. We disclose any waivers from the requirements of the Code granted to our directors or executive officers in the quarterly report following the waiver. There were no such waivers of the Code during 2017. The Code and Policy are available, in English and in Spanish, on our website at www.panamericansilver.com.

OUR PERFORMANCE

Anti-corruption

Every employee and all of our directors, senior managers and contractors are expected to conduct themselves in an honest and ethical manner consistent with the Code and Policy and take responsibility for their actions. As part of our strategy to enhance our compliance program, in 2016 we conducted an initial anti-corruption risk assessment across our Latin American operations. Potential risk areas identified included relationships with government officials and contracts with individuals or companies having relationships with government officials. Employee training, enhancement of references to our anti-corruption expectations in contracts, and the launch of the whistleblower hotline are designed to help minimize these risks.

Reporting and whistleblower hotline

Directors, officers and all employees are responsible for reporting any actual or potential unethical or illegal activity. We want all employees to feel comfortable in approaching their supervisor or other member of management in instances where they believe violations of the Code or any applicable laws may have occurred or might occur. However, we recognize that some employees may prefer to make a report anonymously. Consequently, in 2017, we implemented a whistleblower hotline service that employees may access, via phone or web. The whistleblower hotline is managed by EthicsPoint - an independent service provider - and is available in English or Spanish, and runs 24 hours a day, 365 days a year.

Non-employees can submit complaints by delivering a written report by mail or courier to the General Counsel, marked private and confidential. No material breaches of the Code were substantiated in 2017.

Training and communication

We expect our contractors, suppliers, and business partners to respect and uphold our good governance standards. We inform our key suppliers of our Code. For certain high-risk contracts, we incorporate specific anti-corruptions provisions into the contract terms.

In 2017, we rolled out a communication strategy to inform employees of the updated Code and Policy, the new Guidelines, and the whistleblower hotline. All new employees received the Code and Policy upon commencement of employment. Senior management reiterated to existing employees, including by email and posters at sites and corporate offices, the importance of the Code and the Policy, and communicated the existence of the new whistleblower hotline.

We also launched our training program, by identifying employees in roles at higher potential risk of corruption and conducting in-person training sessions in Argentina, Bolivia, Mexico, and Peru. The sessions are designed to create an understanding of the Code, Policy, Guidelines, and whistleblower hotline, as well as to reinforce the importance of good governance and ethical business practices. By the end of 2017, nearly half of the 357 employees identified had been trained.

In 2018, we continued in-person training of identified employees in Vancouver and Bolivia and will further explore the evolution of our ethics and compliance training.

Tax matters

We approach tax matters by ensuring that we are compliant with all local laws and regulations, and deal with local tax authorities in a co-operative and open manner.

As with everything we do, our approach to tax matters is aligned with our Global Code of Ethical Conduct and includes the following components:

- Pan American Silver makes every effort to 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 reports filed are accurate and complete.
- Pan American Silver seeks 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 the matters in an efficient and fair manner.
- Pan American Silver undertakes tax planning to support the growth and development of the business in accordance with all applicable laws and regulations.
- Pan American Silver has two offshore financial entities. The first is an entity that provides financing to certain of our active mining operations; the second is an entity that provides insurance against certain risks at our worldwide mining operations. The activities of these entities are fully disclosed, as required, under the tax laws and regulations of the jurisdictions in which we operate.
- Pan American Silver engages in numerous inter-company transactions. Such transactions are executed using arm's length transfer prices. In accordance with the Organization of Economic Co-operation and Development (OECD), every effort is made to ensure that these arm's length transfer prices are supported by the necessary contemporaneous documentation.





Communities

One objective of our business strategy is fostering positive long-term relationships with our local communities through open and honest communication and ethical and sustainable business practices. Our objective is to support our host communities during the life span of our mine as well as to create a positive legacy.

MATERIAL TOPICS IN THIS SECTION

COMMUNITY INVESTMENT AND SOCIAL DEVELOPMENT

HUMAN RIGHTS

4,770	STUDENTS WE SUPPORT DIRECTLY OR INDIRECTLY
3,810	PEOPLE PARTICIPATED IN MEDICAL VISITS AND EDUCATIONAL HEALTH PROGRAMS
72	LOCAL COMPANIES SUPPORTED
11	SUSTAINABLE DEVELOPMENT PROGRAMS
28	COMMUNITIES IN OUR AREAS OF INFLUENCE

CORE ECONOMIC AND SOCIAL DEVELOPMENT PROGRAMS

MEXICO

- Ranching Project | 135 AGRARIAN COMMUNITY MEMBERS
- Local Procurement & Supply Chain Development | 16 COMPANIES
- Children and Adult Education Programs | 265 PEOPLE
- Hygiene & Sanitation Program | 250 HOMES

PERU

- Local Procurement & Supply Chain Development | 13 COMPANIES
- Education & Scholarship Program | 3,359 STUDENTS
- Artisanal Weaving Project | 80 WOMEN
- Alpaca Breeding Project | 50 PRODUCERS
- Guinea Pig Farming Project | 18 FAMILIES

BOLIVIA

- Commercial Llama Breeding Project | 220 FAMILIES
- Nutrition Greenhouse Program | 127 FAMILIES
- Education & Scholarship Program | 501 STUDENTS

ARGENTINA

- Education Support Program | 100 STUDENTS
- Post-Secondary Scholarship Program | 25 STUDENTS
- Local Procurement & Supply Chain Development | 41 COMPANIES

RELATED SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY



2 ZERO HUNGER



3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



8 DECENT WORK AND ECONOMIC GROWTH



10 REDUCED INEQUALITIES



11 SUSTAINABLE CITIES AND COMMUNITIES



Economic Benefits

ROB DOYLE | CFO

From a financial perspective, sustainable development means creating a healthy company with the financial resources to support the communities where we operate.

We do this by providing jobs and business opportunities, developing local infrastructure, and creating and supporting social development programs that will provide self-sustaining economic benefits beyond the lifespan of our mines.

Pan American Silver's financial performance in 2017 was strong across our entire operating portfolio. While higher base metal prices benefited the bottom line, our robust performance can also be credited to competent mine site management and technical teams who have skillfully executed expansions and other productivity initiatives.

The stronger our performance, the greater our contribution to national economies. Almost 84% of the revenue generated by our mines remains in the countries where we operate. This allocation of the economic value generated was achieved, in part, due to our focus on local hiring and procurement practices, which continues to generate extensive economic and social benefits.

The majority of our workers at each mine are hired from the country in which the mine is located. We provide workers with transferable skills through coaching and training. Whenever possible, we procure goods and services locally for necessary mine operation and maintenance. We help develop the capacity of local businesses, which builds mutually supportive long-term relationships with local communities.

Another way we invest in our host communities is by creating or supporting social and economic development programs with the intent that these will become self-sustaining. In 2016, we recognized the need to better understand exactly how our investments were improving the overall economic health of the regions in which we operate. We developed a tool to enable our community teams to assess a program's potential success and develop indicators to measure the social and economic impact of our programs on



the local communities. Having performance indicators is helping us better understand impacts so we can make changes to improve the delivery and focus of our programs for better success.

In our continuing efforts to provide transparency around our economic contributions to the communities in which we operate, our 2017 Sustainability Report has been expanded to provide additional information regarding the aggregate tax and related payments (Payments to Government) made by Pan American Silver to various levels of governments in Canada and abroad.

We have a stake in the broader economic success of the communities where we operate. When our mines do well, the broader community also does well in the form of meaningful employment and thriving local businesses that provide us with the goods and services necessary for operations. It gives us great pride to know that Pan American Silver is a pivotal economic driver in the regions where we operate.



84%

OF THE REVENUE
GENERATED BY OUR
MINES REMAINS IN
THE COUNTRIES
WHERE WE OPERATE



Social Management

We have adopted formal policies, procedures and industry best practices to address the impacts of our activities and contribute to the social and economic development of communities.

Our goal is to have a consistent methodology to measure and track social impact and our Corporate Social Responsibility (CSR) performance between mines, yet still have the flexibility to tailor our approach to the different circumstances of each operation.

SOCIAL MANAGEMENT FRAMEWORK

Policy:

Our CSR Policy details our overarching commitment to operate mines and develop projects in harmony with local communities. A central tenet of our CSR Policy is to engage local communities in a timely, inclusive, honest, transparent, and culturally appropriate way throughout the mine life cycle.

Plan:

Baseline assessments help us understand the current social context and the potential impacts of our operations on surrounding communities, as well as to identify vulnerable groups who may be disproportionately affected by our activities.

Assessments also help us identify programs that fit the social context and evaluate the success of these programs. During our social baseline assessment, each site conducts stakeholder mapping, as changing political and economic circumstances can influence the social context and the stakeholder groups with whom we engage.

Engage:

Through our annual materiality survey, we gather information on which issues are important to COIs, as well as their perception of our performance.

Each site has a grievance and response mechanism where community members can bring questions, provide feedback and log grievances. These mechanisms help us understand community concerns around the perceived or actual impact of our activities.

Implement:

We implement programs designed to provide sustainable benefits for our local communities, support local hiring and procurement, or support new on-going infrastructure or services.

Evaluate:

Our CDI Tool helps sites determine what type of legacy programs are a good fit for us and local communities. Every social program requiring corporate office approval is evaluated using the CDI Tool.

Internal capacity building:

- We train our local teams on new procedures to manage potential impacts and ensure that our social development programs are aligned with community needs and aspirations.
- We conduct workshops to educate employees and community-based service providers about the high ethical, safety, environmental, and CSR standards we expect across the Company.

Social audits:

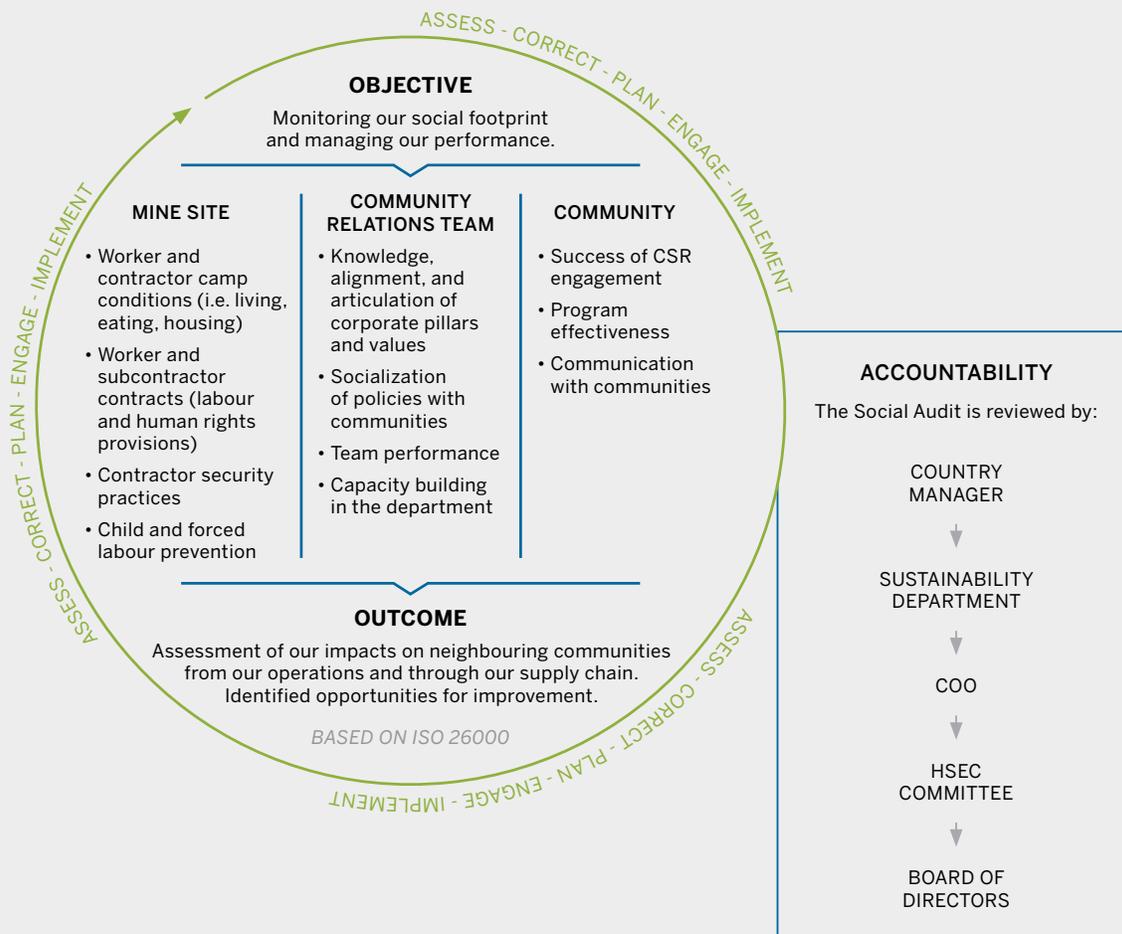
- We conduct social audits in each mine biennially to monitor the programs we run in partnership with neighbouring communities, assess our contractors' camps and facilities, and identify opportunities for improvement in our processes and programs. The base framework utilized for the audits is the ISO 26000 guidance standard on social responsibility,

and we have developed additional company-related content to assess issues relevant to our organization. Depending on the audit findings, sites can take between three months to a year to implement corrective actions. The head of CSR at the site or country level oversees the audits and ensures follow-up is conducted.

Accountability:

- Each mine has a community office on site. Community teams are comprised of experts, such as social workers and psychologists, and are responsible for on-going engagement and program implementation.
- Our approach to engagement, social development and human rights is led by the Director of CSR and Sustainability and overseen by the Vice President of Environment and Sustainability.

SOCIAL AUDIT PROCESS





Community Investment and Social Development

WHY IS COMMUNITY ENGAGEMENT AND SOCIAL DEVELOPMENT IMPORTANT?

Mining operations and infrastructure development influence social, economic, and environmental factors development in neighbouring communities. Working collaboratively with local governments and communities helps us to effectively manage those influences in all phases of the mining lifecycle. A successful approach requires mining companies to manage their performance as well as engage proactively with communities to understand their interests and concerns. At Pan American Silver, we want our

host communities to see our presence as a positive factor, and we want to leave a legacy that will positively influence future generations. We work hard to engage with communities to establish long-term relationships that will improve the programs and investments we support, which provide opportunities for long-term sustainable development. Community investment and employment are consistently among the top-ranked material topics for our Latin American COIs.

Topic	Sub-Topics	Definition	Feedback from COIs	How We're Responding
Community investment and social development	Community engagement	Contributing to the social and economic well-being of local communities	Community members request employment opportunities	Our community teams work with community members to identify potential job opportunities and provide the necessary training and capacity building.
	Economic impact			
	Social development programs			
	Infrastructure investments			
	Local hiring and procurement		Parents near our mine site in Argentina expressed concern that an extended teachers' strike had affected their children's right to education	We collaborated with the community to start an after-hours education program designed to make up for the lost classroom time.

POTENTIAL RISKS AND IMPACTS

- Loss of social acceptance
- Project delays
- Economic dependence
- Wealth disparity
- Impacts on vulnerable groups
- Supply chain resilience

RELATED SDGs



OUR APPROACH



Programs and initiatives:

We invest in communities in line with our sustainability pillars by:

- Creating and sustaining social development programs focused on education and health
- Investing in and upgrading local infrastructure and services, such as schools, health facilities, water and sanitation services
- Creating jobs, business opportunities, training and capacity building in roles at or related to our operations

We identify beneficial and viable programs and investments through our on-going processes and tools including:

- Social baseline assessments, including identification of vulnerable groups
- Stakeholder mapping
- Direct engagement with communities
- Feedback from communities through our grievance and resolution mechanism

We assess the feasibility of an identified program with our CDI Tool, which also requires the development of economic impact indicators.

Performance monitoring:

- We evaluate our performance through our social audits and evaluating project success against the project-specific CDI indicators.

OUR PERFORMANCE

We engage early in the mining life cycle and maintain open dialogue through to closure in order to build trust, understand the priorities and concerns of our host communities, as well as to better manage our impacts and community expectations. Community members can bring their questions, concerns and/or complaints to us through a community mailbox or in person at our

community offices. Each community office maintains a feedback log and all feedback is categorized.

We consider a grievance to be any concern or complaint raised by an individual or group impacted by our operations, which requires a response or resolution. The most common grievances we receive fall into the following categories: environment, social

programs, and property and land agreements.

For any grievance, a local company representative is appointed to follow up. We aim to respond to and resolve grievances within 15 days and the outcomes are reported to and reviewed monthly by the Director of CSR and Sustainability. When a grievance cannot be resolved directly with the complainant and there remains a significant dispute, we consider them to be significant grievances. Local senior management is then assigned to address the significant grievance. In 2017, we received no significant grievances.⁽¹⁾

(1) Information on unresolved significant grievances can be found in the report index.

Social Audits:

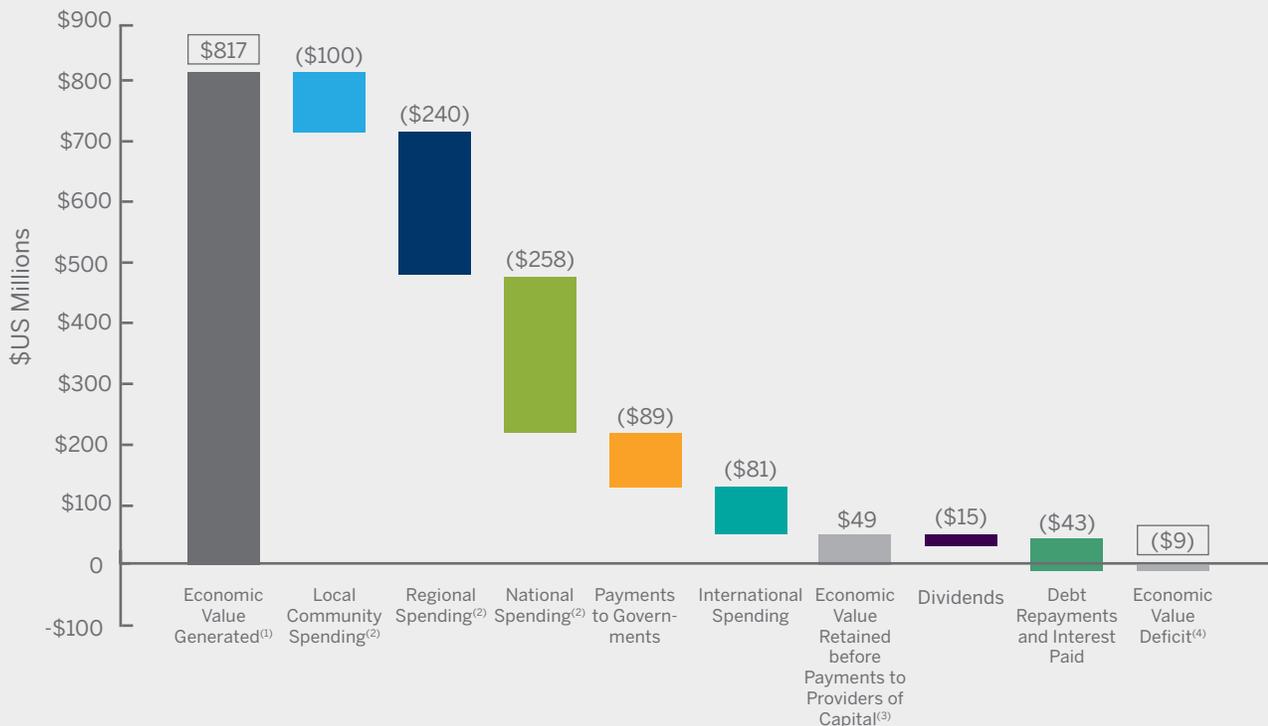
Social audits help us monitor our social footprint and manage our performance. In 2017 audits were completed at the Huaron, Morococha, and San Vicente mines. No material issues were identified.

Economic impact:

Our core business activities generate economic value for COIs at the international, national, regional and community levels, both directly and indirectly. Our direct investments include taxes, royalties, and wages paid to employees.

The below waterfall graph depicts the allocation of Pan American Silver’s economic value generated in 2017 by geographic jurisdiction.

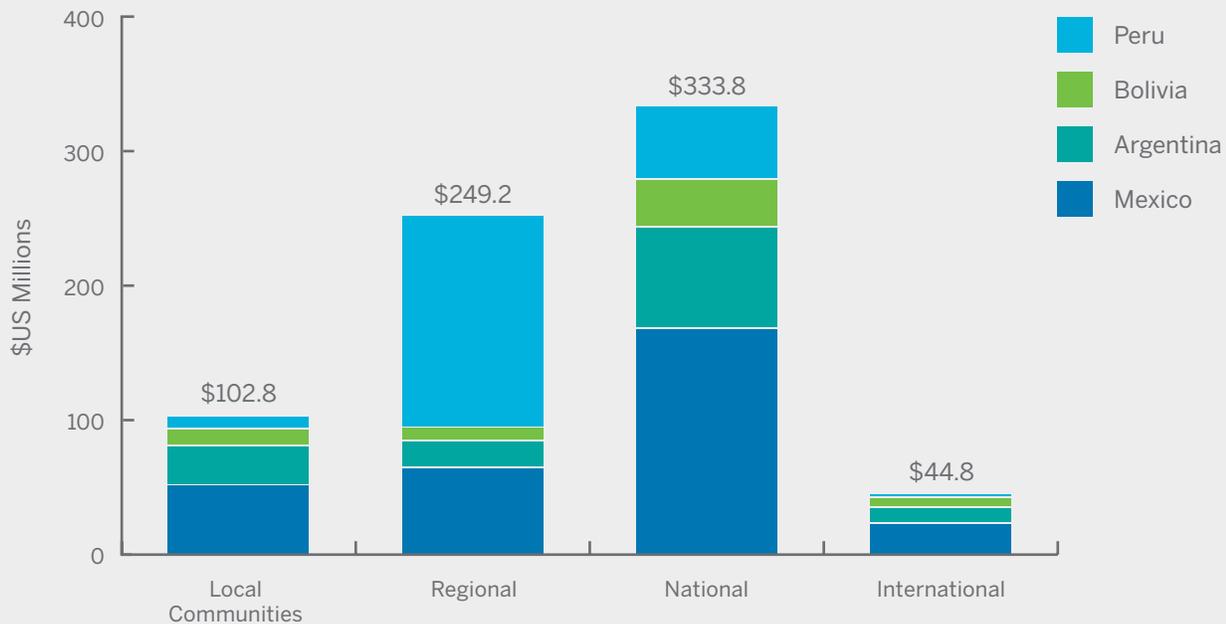
DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED



Notes:

- (1) Based on 2017 accrued revenue as per our annual 2017 Financial Statements available on our website and on SEDAR at www.sedar.com.
- (2) We have broken down our spending into four geographical categories; “local”, “regional”, “national”, and “international”. The “local” category refers to the expenditures in communities surrounding the mining operations. The “regional” category is intended to capture expenditures beyond the local communities, but within surrounding regions. The “national” category includes all other areas within each of the countries that are excluded from either local or regional.
- (3) This is the economic value retained by the Company after expenditures from mining activities, but prior to distributions to providers of capital (shareholders and debtholders).
- (4) Economic value deficit in 2017 was related to the repayment of long-term debt and the investment in growth projects in Mexico and Argentina.

SPENDING BY REGION⁽¹⁾



(1) Inclusive of payments to governments.

The Total Payments to Governments information provides stakeholders with a comprehensive picture of our economic contributions to various levels of government. These payments to national, provincial, state, regional, municipal, local, and community governments in the form of taxes, royalties, and fees, can then be reinvested in social and economic programs that benefit the communities in which we operate. Total Payments to Governments for 2017 was US\$89 million.²

Pan American Silver complies with the Extractive Sector Transparency Measures Act (ESTMA), which is a Canadian federal law that came into effect on June 1, 2015. It introduced new reporting and transparency standards, requiring us to file a public report of payments it made to governments. Our first ESTMA report was filed in May 2017 for the year-ended December 31, 2016 and can be accessed from our website at <https://www.panamericansilver.com/investors/reports/estma>.

(2) Amounts paid and received can be in either cash or non-cash form – for example, in some cases income tax payments can be made by applying otherwise refundable value-added tax (VAT) credits, instead of making a cash remittance. Payments to Governments is reduced or offset by any amounts received from these credits.

SOCIAL DEVELOPMENT PROGRAMS

We invest in social development programs that provide lasting benefits to our host communities. Our intent is that the benefits will long exceed the lifespan of our mines. Our focus is on investing in and developing programs related to education and health, which we have found are most likely to provide lasting positive benefits. Our CDI Tool helps us assess the likelihood for success of these programs and to measure their success.

Infrastructure and services investments:

We make investments in and upgrades to local infrastructure and social services, including:

- Improving hygiene and sanitation through the provision of water and sanitation infrastructure
- Implementing road maintenance and improvements
- Upgrading physical infrastructure (schools, housing, churches, roads)
- Providing support for literacy and adult education by fully supporting or supplementing wages of teachers
- Improving access to health services for all community members with a focus on identified vulnerable groups, such as young children, women, and elders

Local hiring

Local hiring and procurement is an effective way to distribute the economic benefits from our business activities to our communities. Given the remote location of some of our sites, there may be few opportunities for long-term, stable employment. Consequently, community members look to us to provide jobs through direct employment or as service providers for our mine sites. As not all community members will have the qualifications to perform skilled labour, we provide opportunities for unskilled employment, such as road building. We also identify job opportunities at our sites, such as machinery worker, where we are able to provide the required skills and safety training. Our sites offer on-going capacity building to provide contractors with new skills to help them move into higher paying roles.

The majority of our workers, including contractors, are hired from the country in which the mine is located. In 2017, 99% of our employees were nationals of the country where the mine is located.

Local Procurement

We generate opportunities for local businesses in the regions of operation through our procurement practices. We have intentionally kept our procurement decentralized to enable our sites to build relationships

with local business. We are able to procure the majority of goods and services we need in national economies. We believe this approach supports our ability to operate profitably over the long term by deepening our relationships with local suppliers, providing a higher level of service, and helping us build a more resilient supply chain.

Key goods and services sourced locally include:

- Materials for road construction
- Machinery and small parts
- Food and catering services
- Maintenance services
- Earthmoving equipment for road maintenance and smaller construction projects

We also help community members launch small businesses by matching a site's business needs to the interests of community members. To date we have helped launch 72 small businesses. Where local suppliers cannot meet our needs or business standards, we invest in their capacity by offering programs and support focused on:

- Business skills, such as accounting and book keeping
- Bidding processes
- Health and addiction workshops
- Pan American Silver's business standards and expectations
- Health and safety training to contractors

NEXT STEPS:

We are working to establish community-related goals, including formalizing stakeholder engagements, and increasing the number of individuals engaged over 2017 levels and defining projects that will increase the percentage of families benefited by our sustainable development programs.



12%

OF OUR TOTAL
SPENDING WAS
SPENT IN LOCAL
COMMUNITIES



CASE STUDY

Bolivia Greenhouse Program

Several years ago, we decided to improve the way we measure the long-term impacts of our programs from a socio-economic perspective and asked: What are the social and economic effects of a program on a local community? Improving our ability to measure these impacts not only increases the likelihood of success for such programs, but also allows us to communicate more effectively about the efficacy of our programs.

In 2016, we engaged in a rigorous internal and external stakeholder engagement process, using our CDI Tool. The CDI Tool enables our community teams to assess a program's potential to succeed, develop indicators to measure the social and economic impacts on local communities, and better manage the program throughout its duration.

We piloted the CDI Tool on a sustainable development program in the 11 communities near our San Vicente mine in Potosi, Bolivia, which is located in a region with pockets of extreme poverty.

Mothers in the San Vicente community had expressed concerns about the lack of accessible fresh vegetables and their children's poor nutrition. A number of causal

factors were identified, including the remote location of the communities, harsh climatic conditions, poor eating habits, and, in some cases, poverty.

The San Vicente community team proposed constructing greenhouses for the purpose of growing fresh vegetables at a very low cost with long-term economic sustainability in mind.

The CDI Tool requires community teams to work through a variety of assessments to identify a program appropriate for the local social context which has community support. The following were key considerations in the program's development.

Community approval and support:

The overarching purpose of the CDI Tool is to ensure that every one of our sustainable development programs is a response to a challenge identified by the local community and that intended outcomes are agreed upon by that community.

We believe that the CDI Tool process added substantial value to the program which is reflected in its overall success as we enter the project's third year. We provided the materials for the greenhouses, seeds and training, and families contributed their time and effort in building the greenhouses. By the end of the first year, the initial crops of cucumbers, tomatoes, peppers and lettuce, were harvested, benefiting 124 families. By the end of the second year, 10 of the 11 communities are still participating in the program.

The 11 communities near San Vicente identified the following challenges and priorities:

Challenges

Lack of access to fresh vegetables and low average consumption of fresh food.
 Nutritional deficiencies in vulnerable groups (elderly, women, children).
 Climate issues (frosts, hail, drought, altitude) inhibiting agricultural production in open fields.

Priorities

Promoting nutritional food security in a sustainable way.
 Training and awareness for local communities to improve nutrition and promote a culture of healthy eating.
 Increasing fresh vegetable consumption for a family of four (other than potatoes)
 Promoting the participation of identified vulnerable groups in food production.
 Promoting the efficient use of natural resources and organic gardening practices.

Team competency assessment:

The communities team conducted an assessment of its own set of skills in order to identify gaps that could prevent the successful implementation of the program. This process identified the need to hire an agronomist/nutritionist to work with the communities for the duration of the program.

Program Indicators:

Embedding indicators at the outset of a program allows participants and partners to monitor and gauge progress. The process to identify indicators is based on information generated during the baseline assessment phase and through consultation with key stakeholders. Before being finalized, indicators are evaluated against criteria established in the tool and modified as needed. Some key program indicators are:

1) Infrastructure – Number of greenhouses.

- Goal: 100 greenhouses in 3 years
- Progress: 2016 - 47; 2017 - 39

2) Production – Amount of vegetable production and consumption per family per month

- Goal: 16 kg per family per month by the end of the third year (other than potatoes)
- Progress: 2016 - 7 kg per family per month; 2017 - 8 kg per family per month

3) Production area – Amount of land used for production

- Goal: 1,500 square metres by 2018
- Progress: 2016 - 1100 square metres; 2017 - 500 square metres

Lessons learned:

With the greenhouse project, the CDI Tool gave us the lens through which we could see a solution to a larger problem: by transforming the seemingly simple idea of “building greenhouses” to a more comprehensive and holistic program of enabling a community to feed itself fresh and nutritious food into the future. The community responded enthusiastically to the initiative. We believe that the CDI Tool process added substantial value to the program which is reflected in its overall success as we enter the project’s third year.

GOAL: TO IMPROVE THE SUCCESS RATE OF OUR SUSTAINABLE DEVELOPMENT PROGRAMS

Community teams apply the CDI Tool for each sustainable development program. They compile information to establish a baseline and develop indicators by which to measure the program’s success.

GENERAL INFORMATION ON THE MINE, COMMUNITY, AND PROGRAM

- Mine information
- Social baseline
- Community approval and support
- Partnership opportunities
- Team competency assessment
- Program characteristics
- Timeline
- Project goals
- Target audience
- Budget allocation

ECONOMIC PERFORMANCE INDICATORS CRITERIA

- Simple
- Measurable
- Attainable
- Relevant
- Effective
- Reliable
- Timely

ESTABLISHED INDICATORS ARE USED TO COLLECT DATA AND ASSESS THE PROGRAM’S PROGRESS AND SUCCESS.



Human Rights

WHY ARE HUMAN RIGHTS IMPORTANT?

All organizations are expected to respect and uphold human rights. Mining companies, due to the location of their operations, may come into contact with vulnerable populations. Consequently, human rights have become an increasingly important issue in the mining sector, with industry groups, such as International Council on Mining and Metals and

MAC, incorporating global best practices into their standards. Pan American Silver is committed to upholding human rights, including children's and worker's rights, but also by respecting the traditions and cultures of local communities, and supporting those communities in understanding and realizing their rights.

Topic	Sub-Topics	Definition	Feedback from COIs	How We're Responding
Human rights	Non-discrimination Respect for indigenous rights	Respecting human rights and managing our potential impact on rights holders	NGOs requested collaboration on and a visible demonstration of our commitment to human rights	Through our work with UNICEF, we committed to uphold the Convention on the Rights of the Child. This commitment is formally stated in our CSR Policy

POTENTIAL RISKS AND IMPACTS

- Impacts on vulnerable groups
- Loss of social acceptance
- Revocation of permits and licenses

RELATED SDGs



OUR APPROACH

Pan American Silver abides by the laws established around human rights internationally and in the countries where we operate.

External commitments:

Through our work with UNICEF, we have committed to uphold the Convention on the Rights of the Child.

Through our membership with MAC, we are committed to implementing the Voluntary Principles on Security and Human Rights.

Policy:

Our CSR Policy commits us to abiding by laws established around human rights in the countries where we operate and respecting the Universal Declaration of Human Rights and the Convention on the Rights of the Child.

Programs and initiatives

We assess human rights risks as part of our regular social management processes, including:

- Social baseline assessments
- On-going stakeholder engagement and feedback through our grievance mechanism, which allows us to identify potential human rights risks in our communities and our supply chains
- Our community teams work with local professionals, including social workers, teachers, and health practitioners to identify issues of concern
- We conduct education and training for COIs to help them understand and exercise their rights

Monitoring

Our social audits assessment incorporates human rights and includes a checklist on security and human rights.

OUR PERFORMANCE

Through our risk assessment processes, we have not identified any operations to be at risk for child labour, forced labour, or Indigenous rights violations. None of the communities near our mining operations have identified themselves as having Indigenous origins and national governments have not made that designation.

Human rights training for security contractors

We employ armed security contractors at our facilities in Mexico. These contractors have little interaction

with community members, but in the event that they do, our priority is the safety of community members and respect for their rights. We therefore require the companies providing security personnel to have international certification and to provide their employees with human rights training before allowing these employees at our sites.

Non-discrimination

We work to avoid discrimination not only in our workplace, but also against our community members and service providers. We received no reported incidents of discrimination through our internal hotline or our grievance and response system in 2017.

NEXT STEPS:

We are working to improve our human rights performance by the scope of our social audit process to cover human rights and security forces.

TRAINING AND EDUCATION

For Pan American Silver, an element of respecting rights is helping our community members to understand and exercise their rights. We conduct education and training for specific groups in our communities, such as women and vulnerable peoples. Over the past few years, we have provided training and education on topics, including:

- Student education and career opportunities
- Domestic violence, addictions, and vulnerable groups
- Gender issues
- Parenting issues
- Children nutrition and healthy growth
- Hygiene and sanitation practices

Expanded the social audit process to include human rights and security categories.



Our People

People are Pan American Silver’s most important asset. We consider our employees and contractors as partners in sustainability, as they play a central role in the value-creation process for communities of interest. Our people provide the intelligence, the ideas and the energy that drive our operating and financial performance and inspire our continued progress in sustainable development.

MATERIAL TOPICS IN THIS SECTION

- HEALTH AND SAFETY
- EMPLOYEE ATTRACTION, RETENTION AND DEVELOPMENT

99%	OF OUR EMPLOYEES ARE FROM THE COUNTRIES WHERE WE OPERATE
99%	OF OUR EMPLOYEES ARE NATIVE SPEAKERS OF THE LOCAL LANGUAGE AT OUR OPERATIONS
600K	HOURS OF SAFETY TRAINING IN 2017

Health and Safety

WHY IS HEALTH AND SAFETY IMPORTANT?

Mining, by its nature, has potential hazards that must be carefully managed. On a daily basis, mine workers may be engaged in drilling and blasting rock, operating heavy machinery, using explosives and chemicals, working with high voltage electricity, ventilating gases, working at heights, working with high temperature materials as well as other complex and potentially dangerous tasks. Pan American Silver is deeply

committed to protecting the health, safety and well-being of our employees, contractors, suppliers, and community partners where we operate. Operating safely is a moral imperative. We believe that operating safe mines and building a culture of safety are directly related to our operational success and the ability to create long-term value for COIs and society.

Topic	Definition	Feedback from COIs	How We're Responding
Health and safety	Protecting the health, safety and well-being of our employees, contractors	Our workers and communities want safe working conditions	We deploy a robust safety program, which includes process and training to improve safety performance

POTENTIAL RISKS AND IMPACTS

- Worker accidents and lost work time
- Loss of social acceptance
- Impact on employee morale

RELATED SDGs



OUR APPROACH

Safety is always a priority for our Company. We are continually striving to prevent workplace injuries through improved training, technology, and innovation.

Policy:

Health and Safety Policy – Our policy sets out our commitments and the specific actions required to meet our health and safety objectives.

Programs and Initiatives:

We are assessing our safety procedures against the TSM program, which outlines specific commitments to help identify hazards and reduce risk, with zero harm being the primary goal at all facilities.

The Pan American Silver Safety Pledge and Cardinal Rules set our fundamental expectations and rules for safety at sites.

Our Serious Incident Reduction Initiative focuses on preventing serious incidents and fatalities through training and site-specific action plans.

Our health and safety supervisor training program provides leadership and technical training for front-line supervisors.

Monitoring:

Safety audits – Each mine is audited annually, on a continually rotating schedule, by a corporate safety department team lead with assistance from site personnel. Areas of identified high priority are elevated to the Chief Operating Officer for immediate action.

Accountability:

The Senior Vice President, Technical Services & Process Optimization oversees safety in the organization.

A senior management safety committee, along with the Director of Safety, and the Safety Coordinator implements the Health and Safety Policy and sets annual safety targets.

The Management Safety Committee deploys company-wide initiatives identified through our risk assessment process, our safety audit programs, and our incident investigations.

OUR PERFORMANCE

Safety performance

Our safety performance has seen strong improvements in recent years, as a direct result of being a targeted goal. 2016 was the best safety performance in our Company's history, with the lowest lost time injury frequency and lowest total number of lost time injuries recorded. The most common incidents resulting in lost time injuries in our mines include: operating machinery, haulage, rock fall, slips, and falls.

In 2017, however, we failed to meet our targets. Zero fatal incidents is our long-standing goal, and we were very saddened to experience two fatalities in 2017. Both incidents were thoroughly investigated, and preventative action was taken to eliminate similar incidents in the future. For severe incidents, we conduct comprehensive investigations, and review findings and make recommendations. These are reviewed at all levels, including at the Board's Health, Safety, Environment and Communities Committee.

Despite not meeting our targets, our safety performance continues to be in line with industry performance. Further, we are particularly proud of several of our safety achievements in 2017:

Peru – We saw a significant reduction in severe accidents in Peru through introduction of mechanization at mines and improved safety systems, including the Pan American Silver Safety Pledge and Cardinal Rules. Strong mine-level

leadership has been setting an example for workers to follow.

Dolores - At the end of 2017, the Dolores team had successfully worked over 9.3 million hours without an LTI.

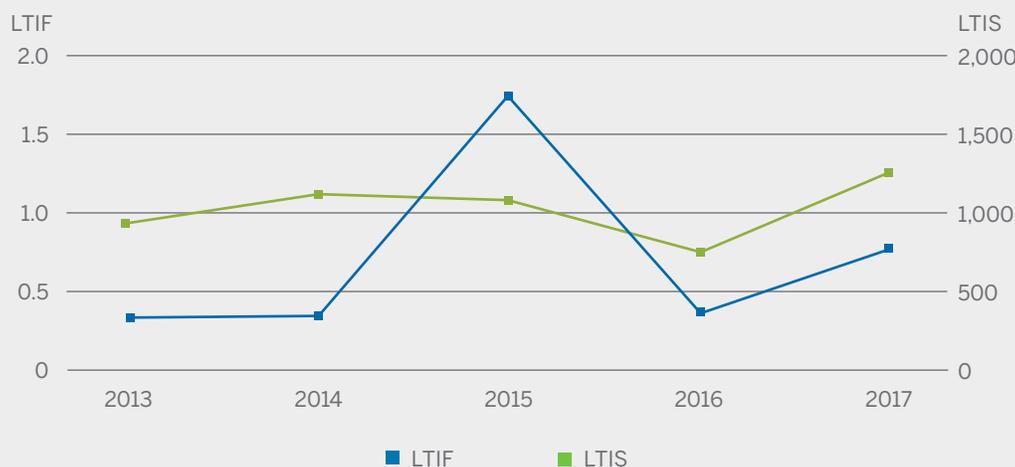
Serious Incident Reduction Initiative

The mining industry has significantly reduced overall injury rates, but when injuries do occur, they tend to be serious. Consequently, we are continually working to prevent injuries. In 2016, we expanded our extensive training program, focusing on two aspects of our Serious Incident Reduction Initiative - culture and supervisory training.

To reinforce a culture of safety, we implemented our Pan American Silver Safety Pledge and Cardinal Rules throughout the organization and incorporated them into our induction training and safety talks. Our objective is for everyone to understand that safety is a shared responsibility.

We are strengthening our front-line supervisory capacity by providing employees with the technical and leadership skills to change behaviour and train others to always put safety first. By the end of 2017, nearly all of our front-line supervisors had been trained in the Phase 1 supervisory training program. We have also completed our "train the trainers" program at each of our operating mines.

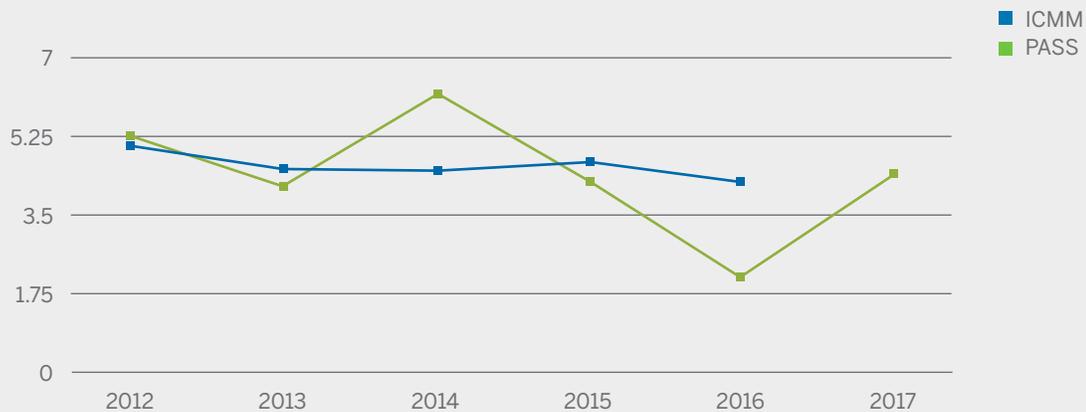
HISTORICAL SAFETY PERFORMANCE



* Lost Time Injury Frequency (LTIF) is calculated as the number of lost time injuries, including fatalities, in the exposure period multiplied by 1 million hours and divided by the total number of hours worked in that period.

** Lost Time Injury Severity (LTIS) is a measurement of the seriousness of injuries and is calculated as the number of workdays lost due to lost time injuries multiplied by 1 million and divided by the total exposure hours. We count 6,000 lost workdays in the event of a fatal accident.

PAN AMERICAN SILVER TOTAL RECORDABLE INJURY FREQUENCY RATE COMPARED TO MINING INDUSTRY RATES



*ICMM is the overall average of the member companies of the International Council on Mining & Metals
 **Total recordable injury frequency rate is calculated per 1 million exposure hours and in the case of Pan American includes lost time and medical aid injuries.

Employee training and development

In 2017, we completed over 600,000 hours of training at our sites.

SAFETY TRAINING HOURS IN 2017

Safety Training Type	Total Hours
General Safety	372,357
Mining Induction	134,347
Geotechnical	9,463
Formal Safety Meetings	96,629
Mine Rescue	21,687

INNOVATION

The industry is continually evolving thanks to new research and innovation, and we are always looking at new equipment and technology to evaluate how those may help improve our mine safety. Adopting mechanization – such as replacing hand held drills with mechanized equipment – means our workers are exposed to fewer hazards, and this helps keep our people safe.

PAN AMERICAN SILVER SAFETY PLEDGE

I pledge that I will always:

- Be responsible for my personal safety and the safety of those around me.
- Remember that accidents are preventable.
- Follow Company rules, regulations, policies, and procedures.
- Refrain from doing any task I am not adequately trained to do or feel uncomfortable in doing.
- Practice good housekeeping.
- Refuse to take shortcuts or be involved in any horseplay.
- Report any accident, injury, unsafe condition or unsafe practice to my supervisor.
- Communicate frequently with my supervisor, making sure that I understand the tasks assigned to me. If I am unsure I will ask.

NEXT STEPS:

We are setting goals to improve the LTIF and LTIS safety metrics and eliminate fatal or debilitating incidents.



Employee Attraction, Retention and Development

WHY IS EMPLOYEE ATTRACTION, RETENTION, AND DEVELOPMENT IMPORTANT?

A stable and skilled workforce is key to any organization’s success. In geographically diverse organizations, multi-faceted and multi-cultural work forces can bring a wide array of experience, knowledge, background, culture and heritage which can lead to innovation, enhanced operations, and improved relationships with COIs. In the mining industry, it can be challenging to achieve a skilled, stable, and diverse workforce due to remoteness of operations, local demographics, and competition for talent.

Our operations and projects are located outside of Canada, in areas with different cultures, languages,

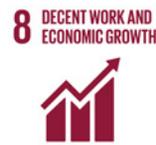
and values. To be competitive and provide value to our COIs, our Company needs to attract, retain and develop the best talent, while at the same time working with our COIs. That is why we offer our people long-term, quality employment with competitive compensation and opportunities for professional development. We are committed to building a diverse organization, representative of the communities in which we operate, and an inclusive environment, where all are treated fairly and respectfully, have equal access to resources and opportunities, and can contribute to the success of the organization.

Topic	Sub-Topic	Definition	Feedback from COIs	How We’re Responding
Employee attraction, retention, and development	Employment conditions	Creating the right conditions to attract, develop, and maintain a talented workforce	Employees and potential employees look to us to provide fair compensation, stable employment, development and training.	We are deploying HR programs that align the employee experience with a successful long-term mining business.
	Inclusion and diversity			
	Employee training and development			
	Labour relations			

POTENTIAL RISKS AND IMPACTS

- Loss of share value
- Impact on employee morale
- Poor labour-management relations
- Loss of social acceptance

RELATED SDGs



OUR APPROACH

In managing our human resources programs, Pan American Silver focuses on the following key principles:

- Creating long-term, stable employment
- Providing competitive compensation
- Providing quality benefits
- Providing opportunities for training and professional development
- Fostering an inclusive work environment

We believe by applying these principles, we can effectively execute our strategy and meet our business objectives.

Policy:

Our Global Code of Ethical Conduct sets out corporate expectations against workplace bullying and harassment. It also supports diversity and the maintenance of an inclusive work environment, free from harassment and discrimination.

Our Board Policy and Senior Management Diversity Policy sets out our commitment to considering the principle of diversity when recruiting, developing and appointing our senior management team and our

Board members, with the goal of having talented, knowledgeable persons with diverse experiences, backgrounds and perspectives guiding the Company.

Programs and Initiatives:

At the corporate level, our Leadership Development Program focuses on the personal and professional development of current and future leaders.

At each site, our training programs provide the needed skills and development opportunities to meet our current and future needs at the operation.

Our compensation and incentive programs provide our workforce with stable income and access to a range of additional financial and non-financial rewards.

We have union agreements at all our mines and we work with union leaders to improve safety standards and working conditions at our operations.

Accountability:

The Vice President, Human Resources & Security has functional oversight of human resources in the organization and is supported by local resources at the country and mine site level.

OUR PERFORMANCE

Employment stability, competitive compensation, and quality benefits

The mining sector is among the highest-paid in each of the countries where we operate. We invest in our workforce, offering meaningful employment and fair compensation. We recognize that we must develop competitive compensation and benefits programs to attract and retain skilled and motivated employees. We regularly benchmark compensation to ensure we are paying in line with market trends.

In setting our compensation packages, we also consider the standard of living and quality of life of our workers. We want to ensure our lowest-paid employees receive at least a livable wage - a wage enabling a worker to maintain a safe, decent standard of living and quality of life within the community. The actual amount varies by location, but our compensation far exceeds the legal minimum wage in each location.

In 2017, we calculated the livable wage for each of our work sites and compared this to our pay scales. Our wages exceed a livable wage in all but one country head office location, which is being assessed. We far exceed legal minimum wage at all of our work sites.

“A livable wage is intended to provide more than just the basics of food, clothing and shelter. It is a wage sufficient to support a worker in maintaining a safe, decent standard of living and quality of life in the community.”

- Sean McAleer, Vice President
Human Resources & Security

Tracking turnover is one way we review our market competitiveness, assess the effectiveness of our hiring practices, and evaluate our performance as an employer. Being a lean, decentralized company and utilizing contract workers only during peak demands, means we can better maintain our workforce during downturns.

Our turnover rate in 2017 was 12 per cent. At the operations level, competitive environments for skilled labour and new opportunities at new mines are generally responsible for voluntary turnover. As a mining company, our turnover rates are site-specific, responding to local labor market competition and industry changes at each location.

At the senior management level, our turnover is below five percent. We focus on building a culture of openness and respect, and shared values around safety, sustainability, and achievement. We believe that these shared values and common commitment to the objectives of the Company is responsible for the low turnover amongst the senior management team.

Training and development

To retain a skilled workforce, we invest in the development of our people. Each operation develops training programs and schedules based on the needs and skill requirements of that mine.

Leadership and management training is also a key component of our people development strategy. Through our Leadership Development Program (LDP), we have identified 250 leaders and managers from diverse backgrounds who are in positions to influence business outcomes. We believe these employees will drive the Company's future success. Our LDP is designed to develop future leaders by deepening their understanding of the mining industry and our business, enhancing their management skills and leadership capabilities, and reinforcing both Pan American Silver's core leadership values and its corporate values. Approximately 30 employees complete this program successfully each year.

Established an Inclusion and Diversity Advisory Committee

Increased focus on hiring, development and promotion of women.

Core Leadership Values

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

"The management tools provided through the course are essential for professional development. Decision making processes, personnel management, planning and executing, and corporate values are the top topics that I'm taking away from this course."

- *Engineering and Projects Superintendent, San Vicente, Bolivia*

"In my opinion, the program helped me to achieve my goals regarding our business, improve management capacity, risk management development of teams and Pan American Silver values."

- *HR Manager, Manantial Espejo, Argentina*

"This course has helped on my personal development and how that influences my relationship in the workplace. It also helped me understand Pan American Silver values, especially their mission and vision and the importance in our business."

- *Superintendent Safety and Environmental, Mexico Operations*

Fostering an Inclusive Work Environment

We define diversity as the varied characteristics that make individuals unique from one another, whether that is gender, ethnicity, age, race, religion, disability, cultural or socio-economic background, nationality, sexual orientation, language, educational background, or expertise. Awareness and promotion of diversity also fosters an inclusive work environment where individuals are treated fairly and with respect and given equal opportunity to develop and advance.

We are actively working towards building a more inclusive work environment by enhancing awareness of diversity issues and creating a positive environment for change throughout our organization. In 2017, we established an Inclusion and Diversity Advisory Committee to help us with this task. We are currently building the core elements of our inclusion and diversity program, which focuses on inclusivity and three key aspects of diversity – gender, national culture, and generational.

INCLUSION AND DIVERSITY PROGRAM



DIVERSITY SNAPSHOT

	% of Employees
Native language Spanish	85
Native language English	<1
Home country in Latin America	98
Women	5
Over 50	10
Under 30	21

Gender diversity

About 5 percent of our workforce is female. The majority of the women in our Company work in professional, administrative, and support roles. Across the mining industry, particularly in technical and trades roles, women are underrepresented. Historically, mining was an industry with few opportunities for women. Consequently, women did not view mining as an attractive career choice, which has further perpetuated the low representation of female employees and leaders. We are actively trying to change that dynamic in our own business. In 2017, we placed emphasis on recruiting and promoting women and increased the number of women participating in our mentoring and leadership development programs. Since our ability to attract highly qualified female candidates in the future is, at least in part, dependent on increasing representation in career fields related to our business, we also support a number of external programs that seek to inspire women to enter and stay in science- and mining-related careers that promote women and, more generally, champion women in leadership.

National Culture

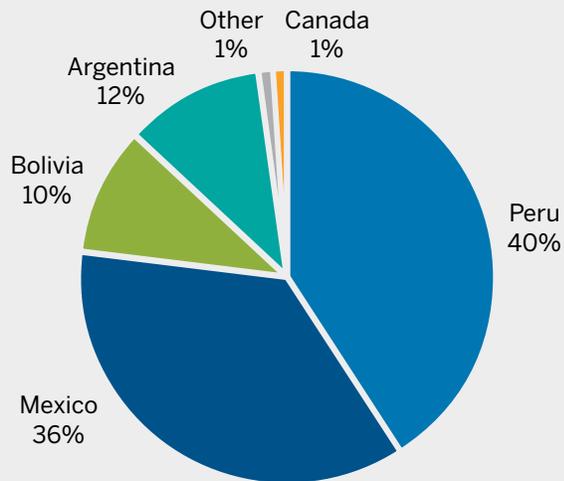
We have mines in four different countries and, whenever possible, we hire our workers and management from our host communities and countries as a means of contributing to local economic development. Hiring managers who speak the local language and understand the local culture translates corporate values into site practices in a way that is appropriate for that site and the local norms.

LOCALLY HIRED EMPLOYEES

	Dolores	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Senior Management	98.52%	99.07%	99.89%	99.88%	99.76%	99.78%
Total Workforce	99.83%	100%	100%	100%	100%	88.47%

Although the majority of our employees speak Spanish, to be inclusive and communicate effectively as an organization, we have a standard practice of holding bilingual meetings, and using simultaneous translators so all can understand, participate, and contribute.

PERCENTAGE OF EMPLOYEES BY NATIONALITY



Generational diversity

It is important that we understand the needs and expectations of employees in different stages of life, to enable all employees to contribute fully. To work effectively together, it is also important that employees understand these differences. This is of particular importance as the older generation of miners nears retirement and are looking for effective ways to transfer their knowledge to younger generations.

NEXT STEPS:

We have developed 2018 corporate-level objectives related to our Inclusion and Diversity Program. To meet these objectives, management is working towards:

- Enhancing our policies to set out our expectations and position in reference to inclusion and diversity.
- Providing training and communications to our leaders and our workforce related to inclusion and diversity.
- Increasing cross culture awareness by the leadership team and providing them with necessary tools and training.
- Improving integration of our multi-generational workforce.
- Increasing gender representation in our workforce and industry by implementing and sponsoring internal and external programs.

Click here to see our GRI data tables with additional data for:

GRI 102-8 Information on employees and other workers

GRI 401-1 New employee hires and employee turnover

GRI- 405-1 Diversity of governance bodies and employees

MM4 Number of strikes or lockouts exceeding one week's duration



Environment

Responsible environmental management is a cornerstone of Pan American Silver's sustainability strategy and our vision to be the world's pre-eminent silver producer. We are committed to operating our mines and developing new projects in an environmentally responsible manner.

MATERIAL TOPICS IN THIS SECTION

- WATER
- AIR EMISSIONS AND ENERGY
- TAILINGS AND WASTE MANAGEMENT
- BIODIVERSITY AND MINE CLOSURE

ZERO

SIGNIFICANT ENVIRONMENTAL INCIDENTS OCCURRED AT OUR OPERATIONS

65%

OF OUR WATER USED WAS RECYCLED

25%

IMPROVEMENT IN THE EFFICIENCY OF OUR HUARON WASTEWATER TREATMENT PLANT



Environmental Management

OUR APPROACH

We take every practical measure to minimize the environmental impacts of our operations in each phase of the mining cycle – from exploration through development, construction, operation, closure, and post-closure. Key components of our management approach include:

Policy:

Our Environmental Policy sets 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.

Programs and Initiatives:

We have developed internal guidelines for six key topics: water use and management; air emissions; waste management and recycling; hazardous chemicals; mine closure; and infrastructure design and tailings management. We are currently conducting self-assessments against the TSM protocols and will update our internal guidelines to ensure alignment with TSM's A-level criteria across all protocols and frameworks.

Monitoring:

Each mine is audited at least every other year to assess the mine's facilities, operating procedures and control systems to ensure potential risks are being managed correctly. Audits are conducted by professionals from our other mines and over the last six years of auditing we have built a dependable and experienced team. The audit process fosters sharing of best practice and integration among mines and ensures that site level procedures are consistent with our corporate guidelines.

Accountability:

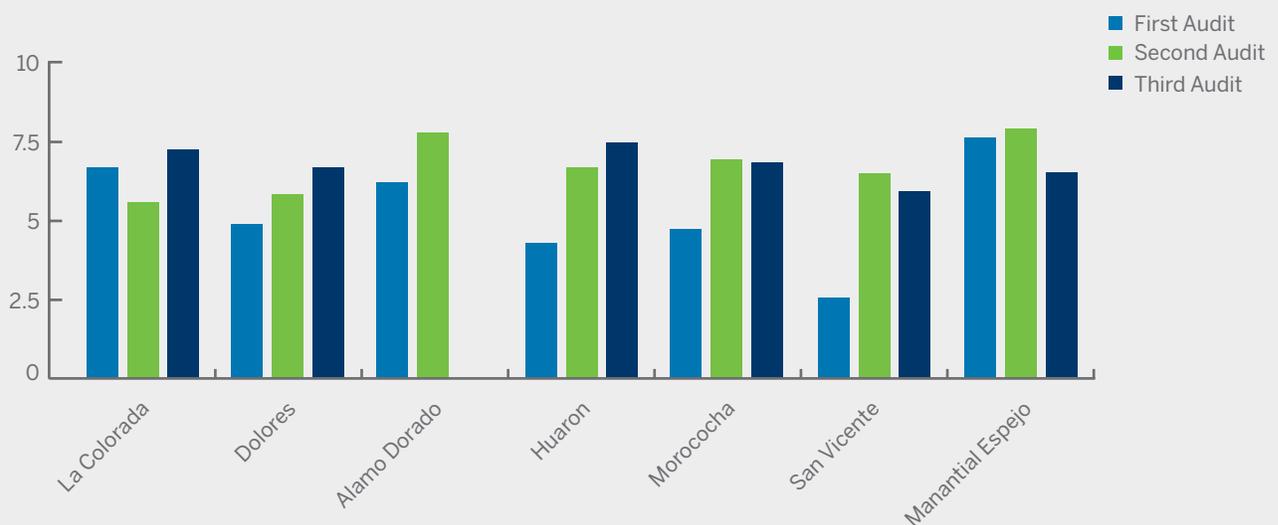
Our Vice President, Environment and Sustainability oversees environmental issues for our Company. Each of our operations is responsible for the development and implementation of procedures and programs that comply with our Environmental Policy and corporate initiatives like TSM.

OUR PERFORMANCE

No significant environmental incidents (SEIs) occurred at our mines in 2017. We define significant environmental incidents as those that negatively impact the environment or communities outside of our mines or project sites, including environmental incidents that significantly impact the community

perception of Pan American Silver. Our focus on prevention, environmental management through our auditing program, and emergency preparedness and crisis management at the site and corporate levels continues to ensure SEIs are avoided.

ENVIRONMENTAL AUDIT PERFORMANCE*



*"Environmental Audit Performance" is a composite score that combines levels of non-conformances where 10 is a perfect score with zero non-conformances.

The environmental audit performance at Dolores, Alamo Dorado and Huaron shows continual improvement over each audit cycle. La Colorada's performance dipped temporarily during the mine expansion phase, while changes in operations at Manantial Espejo, including suspension of open pit mining and the addition of two new nearby projects, resulted in reduced performance during the third audit. Our experience shows that environmental performance can be affected when our operations go through periods of significant change. Morococha and San Vicente showed major improvements following the first audit when the most significant, often historic, environmental issues were addressed.

Recent audits at all of our mines have tended to find no significant non-conformances but rather low level non-conformances, such as lack of separation of recyclable waste or correct signage. We plan to address these issues through improved procedures and operator training as part of the TSM process.

We achieved important milestones in our implementation of the Towards Sustainable Mining program and completed training for key members of our team.



Water

WHY IS WATER IMPORTANT?

Clean water is of high environmental and social value to communities of interest. Access to water is recognized by the United Nations as a human right. Water is also a necessary input for mining processes and water extraction is required to allow mining of ore bodies that are below the natural water table. As

some of Pan American Silver's mines and projects are situated in predominantly arid areas, it is essential that we manage the impacts of our activities on water availability, optimize our water use, and respect the rights of other users. The use, extraction, and recycling of water was the top material topic identified in 2017.

Topic	Definition	Feedback from COIs	How We're Responding
Water	Managing the impacts of our activities on water quality and availability.	Three of the four countries in which we operate have experienced severe droughts in the past few years. Communities in these countries are concerned about water scarcity and continued access to water.	<p>We seek out projects to reduce our potential impact on other users and protect water quality.</p> <p>In Bolivia, we negotiated access to a new water supply source for the community.</p> <p>We are negotiating the handover of the Pan American Silver-built community water supply at Alamo Dorado to local authorities.</p>

POTENTIAL RISKS AND IMPACTS

- Water scarcity
- Water access for local communities
- Spills
- Loss of social acceptance

RELATED SDGs



OUR APPROACH

Effective water stewardship is essential to protect shared resources and avoid impacts that may occur within and beyond our operating boundaries. In addition to our over-arching environmental management framework, our management approach for water includes:

Programs and initiatives:

All our operations have water baseline studies that identify water availability and quality prior to mining or prior to our ownership in the case of historic mines (Morococha, Huaron, San Vicente, and La Colorada). Many of these studies have identified previously unknown water resources or infrastructure opportunities that improve water availability for all COIs.

We prepare and maintain site-wide water balances at our operations that are continually updated with regular monitoring data.

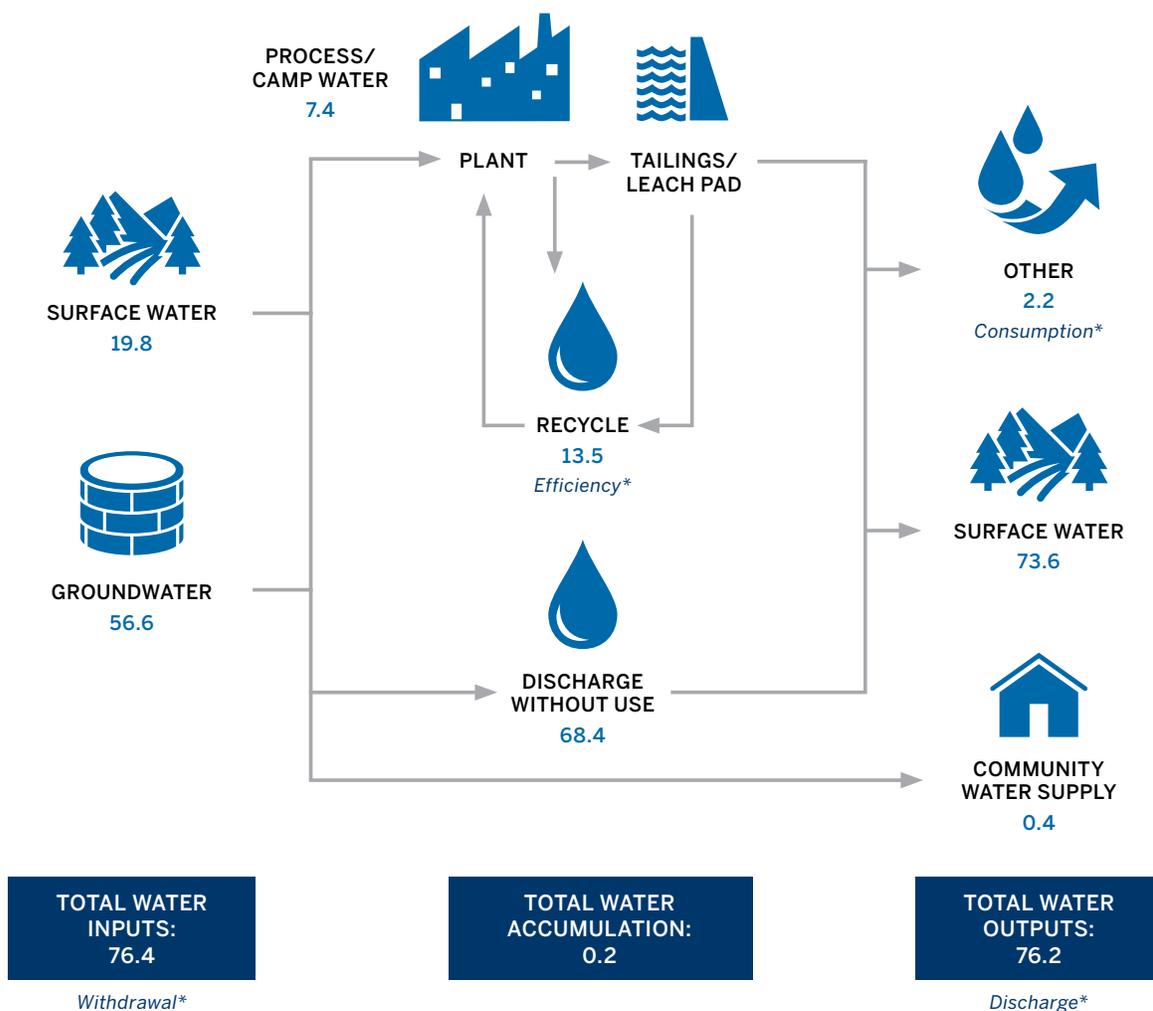
We are in compliance with the TSM Water Stewardship Framework. MAC is in the process of developing a detailed Water Management Protocol which we are following closely and will incorporate into our TSM adaptation plan once it is complete.

Monitoring:

We monitor water quality downstream of our mines to identify water-related risks and opportunities, and ensure that our water use and discharge decisions do not compromise other users and ecosystem needs.

2017 COMPANY WIDE WATER BALANCE

(million m³)



*As defined in 'A Practical Guide to Consistent Water Reporting', International Council on Mining and Metals (2017).

OUR PERFORMANCE

Water use

Our water balance shows how much water we extract, recycle and discharge. The vast majority (over 90%) of water extracted at our operations is from the dewatering of our mines, which is discharged without use to local streams and often successfully supports local grazing activities or other important ecosystems. We obtain water both from dewatering (*groundwater*) and *surface water* sources such as lakes or rivers. *Total water accumulation* in 2017 reflects additional water collected in a water reservoir at our Dolores mine.

Most of the *process/camp water* used at our operations is for ore processing, which supplements *recycle* from our process plants, tailings facilities, and heap leach pads. We also use water for drilling, dust suppression, and our camps. *Other water output* refers to water lost due to evaporation or retained in tailings or heap leach pads. We operate wastewater treatment plants at all our mines and monitor them frequently to ensure that all water discharged from our operations complies with water quality standards. Some of the water we extract is not used in our operations, but is provided to local *community water supply* projects.

Water use intensity [m³/tonne ore processed]

Water intensity is the best measure of how efficiently we use water in our mines. The average combined water use intensity at our Mexican, Bolivian, and Argentine mines is around 0.3 m³/tonne of ore processed and has stayed relatively static for the last three years. Water use intensity at our two Peruvian mines is much greater and averages between 3.6 and 4.0 m³/tonne of ore processed. Both our Peruvian operations are located in areas with an excess of climatic water (precipitation) and the gravity-driven configuration of their water supply and tailings favours continued release of large volumes of water for downstream use. The relative abundance of surface water and the gravity systems we use help to reduce energy consumption for pumping at our Peruvian operations. At Morococha, additional water and lime in our tailings facility provides a net benefit to the region by helping to neutralize acid drainage from largely abandoned upstream historic mine sites.

The trends in our water intensity data are driven largely by the Peruvian operations due to their

relatively higher apparent water use. Apparent water use intensity at our Peruvian mines increased in 2017 primarily from heavy precipitation whereas our other operations reduced their combined average from 0.30m³/tonne in 2016 to 0.27m³/tonne in 2017. Our Peruvian operations are evaluating potential water optimization projects in 2018.

NEXT STEPS

In late 2017, our teams identified site-specific, practical projects to reduce water use for processing, dust suppression, and camps. We plan to implement those projects over 2018, measure our results, and improve on our goals for 2019.

Click here to see our GRI data tables with additional data for:

303-1 Water withdrawal by source

303-3 Water recycled and reused

306-1 Water discharged by quality and destination

We secured additional rights and invested in infrastructure for community water supply in Bolivia during a regional drought.

We set site-specific water goals for the first time by identifying practical projects to reduce our water use beyond “business as usual”.

Air Emissions and Energy

WHY ARE AIR EMISSIONS AND ENERGY IMPORTANT?

Mining is an energy-intensive industry. Mines consume energy through extraction, production, and transportation of products. Energy use, particularly through fuel combustion and electricity consumption, causes greenhouse gas (GHG) emissions, which contribute to climate change. Dust generated by

activities, such as blasting and ore crushing, can potentially affect air quality if not properly managed. For Pan American Silver, reducing greenhouse gas emissions and energy use provides us with cost savings and environmental benefits within and beyond our operating boundaries.

Topic	Sub-Topic	Definition	Feedback from COIs	How We're Responding
Air emissions and energy	Air and GHG emissions management Energy use	Reducing our energy consumption and managing air and greenhouse gas emissions	Industry associations, such as MAC and ICMM, are prioritizing reductions in GHG emissions	We are members of the World Economic Forum's Alliance of CEO Climate Leaders Our mines set site-specific energy targets in 2017

POTENTIAL RISKS AND IMPACTS

- Climate change
- Rising energy costs
- New energy regulations
- Air quality
- Health and environmental impacts

RELATED SDGs

7 AFFORDABLE AND CLEAN ENERGY



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



OUR APPROACH

We address air emissions and energy management through the efficient operation of our mines and development of projects to improve our overall performance and minimize our footprint.

Programs and Initiatives

We continually search out ways to improve the energy efficiency of our operations and have implemented power-line connections and improvements to mine ventilation systems over the past few years to achieve that goal.

We are actively implementing the TSM Energy and Greenhouse Gas Emissions Protocol.

We have dust suppression programs at all our operations and completed an upgrade of the dust suppression system on our crushing facility at Dolores in 2017.

Monitoring

We conduct energy and fuel monitoring at all operations and use that information to calculate our greenhouse gas emissions. Our Mexican operations complete greenhouse gas inventories with an independent consultant which are reported to national authorities on an annual basis.

We conduct regular dust monitoring around our operations and also monitor the air quality of laboratory and refinery air extraction emissions. This monitoring allows us to confirm compliance with relevant air quality standards at all operations throughout 2017.

OUR PERFORMANCE

Energy Use

302-1 Energy consumption within the organization

The sources of energy used in our activities and how efficiently we use this energy influence the type and quantity of emissions. The energy used at our sites comes principally from diesel fuel or electricity, which is regionally grid-sourced except at Manantial Espejo where electricity is generated onsite using diesel generators. Our primary uses of energy include mining and hauling ore and waste rock, milling ore, underground mine ventilation, and dewatering.

Expanded our sustainability reporting to include dust emissions and upgraded our dust suppression system at Dolores in 2017.

Installed a ventilation fan in San Vicente, with improved energy efficiency features.

ENERGY USE & GHG EMISSIONS

KEY SOURCES OF GHG EMISSIONS AT OUR MINE SITES



HAULING/MINING



MINE OFFICE & CAMPS



VENTILATION



DEWATERING

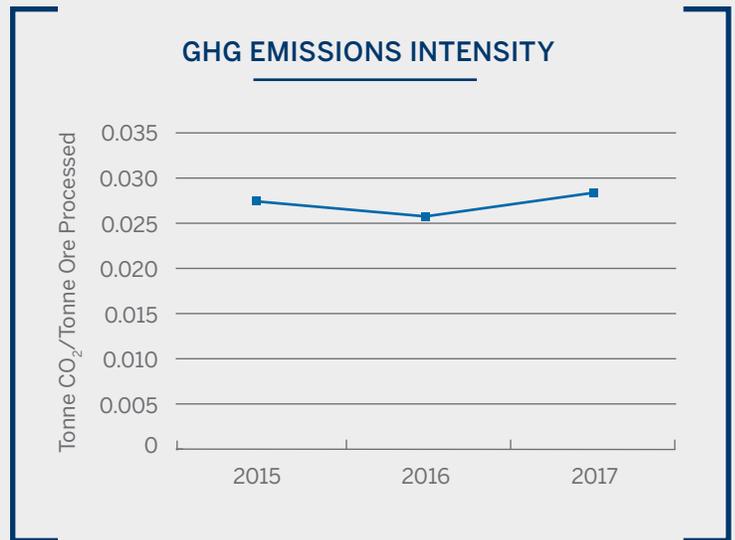


MILLING

GHG Emissions intensity

The more ore we process at our sites, the more energy we use. Also, as our mines become gradually deeper, the energy required to ventilate and dewater them increases, as do the distances required to haul ore and waste rock. We track the intensity of our GHG emissions (emissions per tonne of ore processed), which helps us gauge the overall energy efficiency of our processes and the effect of our use of cleaner grid energy.

We experienced reductions in GHG emission intensity in 2016, mainly due to the cessation or reduction of open pit mining at Alamo Dorado and Manantial Espejo, and changes to the efficiency of material haulage and waste rock generation at our Peruvian mines. In 2017, the main drivers of the increase in emission intensity were the new pulp agglomeration plant and underground mine at Dolores, the deepening of our mines in Peru and Bolivia, and closure activities at Alamo Dorado. These increases were largely offset by reductions in GHG emission intensity at Dolores due to the benefits of cleaner grid-sourced electricity at full capacity throughout the year.



NEXT STEPS

We developed goals in late 2017 to reduce our energy use compared to “business as usual” based on site-specific projects. We have begun implementation of these projects in 2018.

Click here to see our GRI data tables with additional data for:

- 302-1** Energy consumption within the organization
- 305-1** Direct Greenhouse Gas emissions





Biodiversity and Mine Closure

WHY ARE BIODIVERSITY AND MINE CLOSURE IMPORTANT?

Mining activities require the development of infrastructure, which alters the natural features of the local landscape. Open pit mines, processing mills, mine waste facilities, and roads can damage habitat, impact individual species, and affect overall ecosystem health. Mines have finite lives and mining companies are responsible for managing the impact of their operations not only during operation, but

also after the closure of a mine. This means site reclamation and ensuring there are no health and safety risks from mining waste, equipment and infrastructure. It is important to us to return the land disturbed by our activities to as close to its natural state as possible. For us, successful mine closure must be planned before a mine is in operation with input from local communities and governments.

Topic	Sub-Topic	Definition	Feedback from COIs	How We're Responding
Biodiversity and mine closure	Biodiversity management	Mine closure planning to minimize negative impacts on the environment, including biodiversity	Communities and governments have voiced economic, environmental and social expectations beyond the lifespan of our mines	We are implementing best practice mine closure techniques in the closure of Alamo Dorado and maximizing positive biodiversity outcomes
	Mine closure			We engage with local communities and other COIs to ensure that their closure and post-closure expectations are considered in our closure plans

POTENTIAL RISKS AND IMPACTS

- Ecosystem risks due to impacts on habitat
- Environmental and safety risks if mine closure is not done properly
- Loss of social acceptance

RELATED SDGs



OUR APPROACH

From an environmental perspective, our objective is to return the land disturbed by our activities to as close to its natural state as possible. As such, biodiversity management is part of our approach to reclamation and closure. Our goal is to make the transition from operations to closure as efficient as possible by starting the planning process early and collaborating with local communities.

Programs and initiatives

We have closure plans for all our mines, and we update detailed closure costs estimates for all mines and projects on an annual basis.

Our reclamation plans include measures to enhance biodiversity conservation. All of our sites have biodiversity management plans during construction, operation, and closure.

We complete progressive closure activities at our operations well before the end of mining and processing.

An essential part of the closure planning process is engagement with local communities and other COIs to ensure that their closure and post-closure expectations are considered.

Monitoring

We conduct detailed flora, fauna, and ecosystem baseline studies to identify potentially sensitive habitats and species prior to commencement of mining or significant changes to our operations.

We monitor biodiversity at all our sites to identify potential new impacts and compare results with our baseline studies.

OUR PERFORMANCE

Minimizing our impacts on biodiversity

None of our mines are located in areas that are designated as having high biodiversity value. Although biodiversity management plans are not always required by local regulations, all of our sites have developed and implemented such plans. Baseline studies and monitoring have not identified any significant impacts on biodiversity from our operations. In fact, for some of our sites, our ongoing monitoring studies show increases in biodiversity, as well as flora and fauna population density around the operating mines. This occurs where we have purchased large areas of land, but only require a small portion for our operations. The remainder is protected, and the absence of grazing activities has led to improved habitat creation.

For example, in Argentina we own more than 57,000 hectares of land which is outside our operations and protected from impacts like sheep grazing and hunting. At our Dolores mine we are in the process of restoring 40 hectares of community land that was previously affected by cattle grazing and natural erosion.

Reclamation and closure:

We conduct progressive reclamation of disturbed land and waste rock dumps once they are no longer required by our operations. At the end of the mining lifecycle, we work to create landforms that integrate back into the natural landscape and provide quality habitat. This means removing physical infrastructure

and reclaiming waste rock dumps and tailings facilities. By the end of 2017 the accumulated area disturbed by our operations was 1,752 hectares, while 117 hectares were reclaimed.

At our Dolores mine, we built a greenhouse that is managed by the community with our support. The plants and trees grown are used by the community for revegetating fire damaged areas and for on-going reclamation projects at the mine.

In 2016, we began implementing the largest mine closure program in our history, as the Alamo Dorado mine reached the end of open pit mining. The mine fully transitioned to the reclamation phase in 2017, and we have completed re-grading and revegetation of the waste rock dumps. We also made significant progress on plant dismantling and closure of the dry tailings stack. Our closure plan was developed in collaboration with local communities and landholders and was the first ever to be formally approved by Mexican authorities under newly established procedures.

[Click here to watch the Alamo Dorado reclamation video.](#)

NEXT STEPS

Our goal is to substantially complete the active closure phase at Alamo Dorado in 2018 and continue with post-closure monitoring. We will continue implementing the TSM Biodiversity Conservation Management Protocol and Mine Closure Framework, while applying lessons learned from Alamo Dorado to our other closure plans and cost estimates.



Tailings and Waste Management

WHY ARE TAILINGS AND WASTE MANAGEMENT IMPORTANT?

Mining operations generate waste that can be in the form of waste rock, processed ore, tailings or sludges. If not managed properly, this waste can negatively impact the environment and human health in neighbouring communities. Management of tailings facilities is a priority for our Company, the COIs, the general public, and the global mining industry.

Mining processes also generate hazardous and non-hazardous waste. Pan American Silver works hard to ensure stable and long-term management of tailings and other mining wastes, as well as proper waste management and disposal. Both are essential to maintaining community and environmental health, as well as social acceptance.

Topic	Sub-Topic	Definition	Feedback from COIs	How We're Responding
Tailings and waste management	Tailings facility management	Managing tailings facilities and waste disposal	Our COI's want to be sure that our tailings facilities are safe and that we minimize waste generation	We are implementing the TSM Tailings Management Protocol and continually improve our management of hazardous and non-hazardous waste
	Solid waste management			
	Spills			

POTENTIAL RISKS AND IMPACTS

- Tailings, waste stockpile, or heap leach facility failure
- Spills
- Water and soil contamination
- Acid drainage and metal leaching
- Damage to human health, environment, and property
- Impacts on ecosystems
- Loss of social acceptance
- Impacts on community livelihoods

RELATED SDGs



OUR APPROACH

We have systems in place for the safe management of our tailings facilities and waste materials. We contract professional engineers for the design, construction and quality assurance of our tailings, heap leach and water storage facilities. We actively seek to reduce our hazardous and non-hazardous waste generation by implementing management plans and procedures at each site.

Programs and initiatives

We are implementing a program of independent dam safety review at our sites in order of priority based on a facility risk assessment.

- We are implementing the TSM Tailings Management Protocol at all of our operations, which will be completed within the next two years.

We participate in the TSM Tailings Working Group and use industry best practice at our operations.

We complete predictive models based on geochemical data and studies for acid drainage and metal leaching prior to mining and update those studies based on regular monitoring results during operation and closure.

All our mines have site-specific management plans for hazardous and non-hazardous waste, which include actions to maximize reuse and recycling opportunities.

Monitoring

We conduct regular geotechnical and environmental monitoring at our tailings and heap leach facilities.

We monitor downstream water and soil quality at all sites to ensure compliance with predictive models and water quality regulations.

We have systems in place to monitor waste generation and disposal at all operations.

OUR PERFORMANCE

Tailings facilities management

Tailings are the by-products of processing and extracting metals from ore. We currently have operating tailings facilities at La Colorada, Huaron, Morococha, San Vicente and Manantial Espejo. Our Dolores mine has an operating water storage dam and heap leach pads. We have a closed tailings dry stack at Alamo Dorado and smaller, closed historic tailings deposits at La Colorada and Huaron. We conducted a risk assessment of our facilities in 2014 based on criteria from the Canadian Dam Association's Dam Safety Guidelines (Dam Safety Guidelines). We designed a program of independent dam safety reviews of our facilities based on the risk assessment, and in 2017 undertook reviews at San Vicente and Dolores. The Dolores review is in process. The San Vicente review is now complete and found that our facility and systems are safe and operating in accordance with Dam Safety Guidelines and the TSM Tailings Guideline.

Waste management

Our operations generate small quantities of hazardous and non-hazardous materials, which require recycling or disposal at the end of their lifecycle. Our primary non-hazardous wastes include tires, scrap metal, domestic waste, and wood waste.

When possible, we recycle or reuse these products within our operations. The main hazardous waste materials we generate include used oil, solvents, reagent packaging, materials soiled with reagents or hydrocarbons, florescent lightbulbs, and batteries. We seek to reuse these materials, such as used oil as a heating fuel, and follow local regulations in disposing of these materials either on site or at local certified disposal facilities.

In 2017 our waste management plans and worker training programs were successful in reducing our overall hazardous and non-hazardous waste generation and increasing reuse and recycling.

NEXT STEPS:

Over the next two years, we will continue implementation of the TSM Tailings Management Protocol. We also set goals for reduction of hazardous and non-hazardous solid waste generation compared to "business as usual".

Click here to see our GRI data tables with additional data for:

306-2 Waste by type and disposal method

306-3 Significant spills

MM3 Total amounts of over burden, rock, tailings, and sludges

GRI Data Tables

102-8 Information on employees and other workers

	Admin	Geology	Engineering	Labour	Total Employees	Contractors	Total Employees and Contractors
Canada - Vancouver Corporate	31	6	7	0	44	1	45
Peru							
Offices (off Mine Site)	41	0	0	0	41	0	41
Exploration	0	11	0	0	11	0	11
Huaron	89	9	41	764	903	659	1,562
Morococha	106	10	59	636	811	476	1,287
Pico Machay	3	0	0	3	3	13	16
Total-Peru	236	30	100	1,403	1,769	1,148	2,917
Mexico							
Office Durango	35	1	4	6	46	0	46
Office Chihuahua	1	0	2	1	4	0	4
Exploration	2	4	1	8	15	0	15
Alamo Dorado	0	0	0	0	0	117	117
La Colorada	27	7	87	737	858	252	1,110
Dolores	54	6	120	429	609	1,114	1,723
PASC Projects	4	0	41	0	45	348	393
Total - Mexico	123	18	255	1,181	1,577	1,831	3,408
Bolivia							
Offices (off Mine Site)	26	0	0	0	30	1	31
Exploration	0	1	0	0	1	0	1
San Vicente	24	7	91	282	404	192	596
Total - Bolivia	54	8	91	282	435	193	628
Argentina							
Offices (off Mine Site)	20	0	0	0	20	2	22
Exploration	0	0	0	0	0	0	0
Manantial Espejo	62	4	70	315	451	81	532
Cose Project	3	0	5	12	20	6	26
Joaquin Project	2	4	1	0	7	7	14
Navidad Project	12	0	0	19	31	3	34
Calcatreu	2	0	0	3	5	0	5
Total - Argentina	101	8	76	349	534	99	633
Total	545	70	529	3,215	4,359	3,272	7,631

102-41 Collective bargaining agreements

	Dolores	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Employees that belong to a union or association	429	737	412	300	318	386
% of total employees	70.44%	85.90%	45.63%	37.00%	73.10%	85.58%

TOPIC SPECIFIC GRI STANDARDS

Economic

Economic Performance

201-1 Direct economic value generated and distributed

PRODUCTION	2017	2016
Silver (million ounces)	25.0	25.4
Gold (thousand ounces)	160.0	183.9
Zinc (thousand tonnes)	55.3	51.9
Lead (thousand tonnes)	21.5	20.2
Copper (thousand tonnes)	13.4	14.4
Cash cost per silver ounce ⁽¹⁾	\$4.55	\$6.29
AISCOS, net of by-product credits (\$US) ⁽²⁾	\$10.79	\$10.17
Average price per silver ounce (\$US London fix)	\$17.05	\$17.14

FINANCIAL HIGHLIGHTS <i>(In millions USD, except per share amounts)</i>	2017	2016
Revenue	816.8	774.8
Net Cash Generated from Operating Activities	224.6	214.8
Net Earnings	123.5	101.8
Per share (Basic)	0.79	0.66
Adjusted Earnings ⁽³⁾	77.7	86.6
Per share (Basic) ⁽³⁾	0.51	0.57
Cash and Short-Term Investments	227.5	217.6
Total Debt ⁽⁴⁾	10.6	43.3
Working Capital ⁽⁵⁾	410.8	428.6
Dividends	15.3	7.6
Per share	0.10	0.05

STAKEHOLDERS	2017	2016
Common shares outstanding at December 31 (million)	153.3	152.3
Number of Employees and Contractors	7,631	6,659

(1) Non-GAAP measure. Cash Costs is calculated as the net cost of producing an ounce of silver, our primary payable metal, after deducting revenues gained from incidental by-product metals production.

(2) Non-GAAP measure. All-in sustaining costs per silver ounce sold, net of by-products, reflects the full cost of operating our consolidated business given it includes the cost of replacing silver ounces through exploration, the cost of ongoing capital investments (sustaining capital), general and administrative expenses, as well as other items that affect the Company's consolidated cash flow.

(3) Non-GAAP measure. The Company considers adjusting earnings to better reflect normalized earnings, as it eliminates items that may be volatile from period to period, or relate to positions that will settle in future periods.

(4) Non-GAAP measure. Total debt is calculated as the total current and non-current portions of long-term debt, finance lease liabilities, and loans payable.

(5) Non-GAAP measure. Working capital is calculated as current assets less current liabilities.

(6) These non-GAAP measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Please refer to the Alternative Performance (Non-GAAP Measures) section in the Management's Discussion & Analysis for the period ended December 31, 2017 (the MD&A) for further information on these measures.

Indirect Economic Impacts

203-1 Infrastructure investments and services supported

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
CSR and Community Infrastructure Investment	\$4,909,260	\$1,202,718	\$59,413	\$867,332	\$328,398	\$781,170	\$166,839

Corporate Giving Committee Donations (\$ CAD)

PAS Scholarships	\$5,000	Vancouver Symphony Orchestra	\$10,000
Van Intl Children's Festival	\$10,000	Covenant House	\$20,000
Paws for Hope	\$5,000	Minerva Foundation	\$20,000
Project Limelight	\$5,000	Vancouver Island Compassion Dogs	\$10,000
Vancouver Food Bank	\$5,000	Canadian Red cross	\$5,000
Laurentian University	\$10,000	Crisis Intervention & Suicide Prevention Centre of BC	\$5,000
Hockey Helps the Homeless	\$10,000	Pacific Salmon Foundation	\$10,000
Growing Chefs	\$5,000	Canadian Mental Health Association	\$5,000
DTES Women's Centre	\$10,000	Zajac Ranch for Children	\$10,000
Dixon Society	\$5,000	411 Senior's centre	\$20,000

Environment

Energy

302-1 Energy consumption within the organization

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Diesel (m3)	30,762	1,025	5,343	2,900	3,378	918	18,683
Gasoline (m3)	1,380	156	219	0	0	108	0
Carbon (tonnes)	0	0	0	5	0	3	0
Liquified Petroleum Gas, LPG (m3)	88	692	488	24	147	0	0
Ammonium Nitrate, ANFO (tonnes)	8,051	0	801	416	789	546	420
Emulsion (tonnes)	316	0	406	32	22	39	20
Electricity (MWh)	63,055	18,696	60,445	74,043	68,046	20,921	0

(GJ)	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Diesel	1,189,877	39,636	206,667	112,186	130,659	35,504	722,654
Gasoline	47,830	5,413	7,589	0	0	3,747	0
Carbon	0	0	0	140	0	76	0
Liquified Petroleum Gas, LPG	2,251	17,658	12,448	616	3,762	0	0
Ammonium Nitrate, ANFO	18,516	0	1,842	956	1,814	1,255	966
Emulsion	728	0	934	73	51	91	45
Electricity	226,998	67,307	217,603	266,554	244,966	75,314	0
Total	1,486,200	130,014	447,082	380,525	381,252	115,987	723,665

(GJ)	2017	2016	2015
Diesel	2,437,184	2,548,581	2,802,168
Gasoline	64,578	62,949	55,220
Carbon	216	259	343
Liquified Petroleum Gas, LPG	36,736	70,467	80,827
Ammonium Nitrate, ANFO	1,921	4,837	5,401
Emulsion	25,348	24,797	25,111
Electricity	1,098,741	1,037,399	963,726
Total	3,664,725	3,749,290	3,932,796

Water

303-1 Water withdrawal by source⁽¹⁾⁽²⁾

		Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo	Total
Water Used	Groundwater	147,405	155,954	145,746	0	0	0	238,968	688,073
	Surface Water	0	0	0	3,723,214	2,843,709	157,902	0	6,724,825
Water Discharged Without Use	Groundwater	1,247,232	0	4,087,196	23,635,818	26,014,642	0	1,169,493	56,154,381
	Surface Water	209,171	0	0	0	12,552,506	0	0	12,761,677

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Processing Plant (make-up water)	147,405	155,954	145,746	3,723,214	2,843,709	157,902	238,968

		2017	2016	2015
Water Used	Groundwater	688,073	941,863	1,232,713
	Surface Water	6,724,825	6,203,324	6,086,088
Total		7,412,898	7,145,187	7,318,801
Water Discharged Without Use	Groundwater	56,154,381	46,341,236	45,503,731
	Surface Water	12,761,677	2,979,938	7,272,036

303-3 Water recycled and reused

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Recycle of process water	7,857,960	1,184,110	549,779	0	347,148	450,340	3,091,229
% water recycle processing	98%	88%	79%	0%	11%	80%	87%

	2017	2016	2015
Recycle of process water	13,480,565	17,746,423	13,425,550
% water recycle processing	65%	71%	65%

(1) Data from 2015 and 2016 has been restated to include accounting of "water discharged without use" for comparison with our new company-wide water balance. Totals in this report do not coincide with previous sustainability reports for that reason. Totals may not coincide exactly with our company-wide water balance due to rounding.

(2) Annual variations in our company-wide water withdrawn and discharged are strongly influenced by surface water that flows through our sub-aqueous tailings facility at Morococha which is discharged without use in compliance with our permits. A large variation in rainfall at Morococha in 2017 (more than three times the prior year) caused a large increase in water withdrawn and discharged without use for that year.

Biodiversity

304-3 Habitats protected or restored

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Disturbed hectares	654	122	184	302	63	55	372
Reclaimed hectares	14.6	93.3	5.1	3.6	0.4	0	0
				2017	2016	2015	
Disturbed hectares				1,753	1,660		1,742
Reclaimed hectares				117	161		22

Emissions

305-1 Direct Greenhouse Gas (GHG) emissions (tonnes CO2 eq)

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Diesel	83,446	2,780	14,494	7,868	9,163	2,490	50,680
Gasoline	3,315	375	526	0	0	260	0
Carbon	0	0	0	12	0	6	0
Liquified Petroleum Gas, LPG	134	1,051	741	37	224	0	0
Ammonium Nitrate, ANFO	1,522	0	151	79	149	103	79
Emulsion (tonnes)	60	0	77	6	4	7	4
Electricity (MWh)	28,592	8,478	27,409	21,144	19,431	8,918	0
Total	117,068	12,684	43,397	29,144	28,972	11,784	50,763
				2017	2016	2015	
Diesel				170,920	178,732		196,516
Gasoline				4,476	4,363		3,827
Carbon				18	22		29
Liquified Petroleum Gas, LPG				2,187	4,195		4,811
Ammonium Nitrate, ANFO				2,083	2,038		2,064
Emulsion				158	397		444
Electricity				113,971	107,537		93,578
Total				293,819	297,284		301,269

Effluents & Waste

306-1 Water discharge by quality and destination⁽¹⁾⁽²⁾

		Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo	Total
Water Used	Treated and Discharged to Surface Water	0	0	0	3,723,214	2,843,709	0	0	6,566,923
Water Discharged Without Use	Treated and discharged to Surface Water	789,419	155,954	4,232,942	23,654,937	38,674,389	216,408	1,408,461	69,132,510

		2017	2016	2015
Water Used	Treated and Discharged to Surface Water or Evaporated	6,566,923	5,987,680	5,916,295
Water Discharged Without Use	Treated and discharged to Surface Water	69,132,510	50,843,755	54,960,545

306-2 Waste by type and disposal method

(tonnes)	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Hazardous or dangerous waste	605	36	139	140	100	3	264
Non-hazardous inert waste	77	0	0	1,122	89	0	389
Domestic waste to landfill	210	78	172	328	309	72	137
Incineration	0	0	0	0	0	0	0
Reuse	281	62	242	5	18	0	0
Recycling	313	483	230	556	187	0	389

(tonnes)	2017	2016	2015
Hazardous or dangerous waste	1,023	1,422	1,360
Non-hazardous inert waste	1,288	1,360	1,074
Domestic waste to landfill	1,169	1,212	1,207
Incineration	0	0	0
Reuse	608	560	301
Recycling	1,770	1,737	2,143

(1) Data from 2015 and 2016 has been restated to include accounting of "water discharged without use" for comparison with our new company-wide water balance. Totals in this report do not coincide with previous sustainability reports for that reason. Totals may not coincide exactly with our company-wide water balance due to rounding.

(2) Annual variations in our company-wide water withdrawn and discharged are strongly influenced by surface water that flows through our sub-aqueous tailings facility at Morococha which is discharged without use in compliance with our permits. A large variation in rainfall at Morococha in 2017 (more than three times the prior year) caused a large increase in water withdrawn and discharged without use for that year.

306-3 Significant spills

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Number of significant spills	-	-	1	1	-	-	-
Volume of liquid or pulp (m ³)	-	-	37	9	-	-	-

	2017	2016	2015
Number of significant spills	2	2	-
Volume of liquid or pulp (m ³)	46	12	-

G4 MM3 Total amounts of over burden, rock, tailings, and sludges

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Tailings not used as hydraulic backfill (dry tonnes)	0	468,293	608,783	615,346	656,094	345,328	793,457
Waste rock not used as backfill	35,972,748	0	6,000	254,431	358,701	13,270	1,825,349
Water treatment sludge	0	1	1,325	29,103	70	12	0

Labour Practices and Decent Work**Employment****401-1 New employee hires and employee turnover**

	Dolores	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Employees	609	858	903	811	435	451
Turnover Employees	66	75	123	23.08	43	170
Rate	10.8%	8.7%	0.5%	1.5%	10%	18%
<30 Men	143	302	121	120	54	84
Between 30 and 50 Men	376	435	609	608	330	310
>50 Men	55	79	130	61	33	23
>60 Men	4	8	27	0	0	4
<30 Women	15	12	4	10	2	5
Between 30 and 50 Women	15	21	10	12	13	22
>50 Women	1	1	2		3	1

Occupational Health and Safety**403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities**

	Dolores	Alamo Dorado	La Colorada	Huaron	Morococha	San Vicente	Manantial Espejo
Lost time injury frequency	0	0	1.54	1.06	1.48	6.67	0.80
Lost time injury severity	0	0	2,462	118	182	4,911	23

Diversity and Equal Opportunity

405-1 Diversity of governance bodies and employees

	Senior Management					Directors					Supervisors				
	Gender		Age Group			Gender		Age Group			Gender		Age Group		
	M	F	<30	30-50	>50	M	F	<30	30-50	>50	M	F	<30	30-50	>50
Corporate Office	23	3	0	13	11	5	5	1	6	3	0	0	0	0	0
Peru															
Offices (off Mine Site)	9	0	0	4	5	5	4	0	5	4	9	2	1	4	5
Exploration	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0
Huaron	1	0	0	0	1	10	0	0	6	4	108	3	8	82	21
Morococha	1	0	0	1	0	13	0	0	7	6	97	7	6	86	12
Pico Machay	0	0	0	0	0	0	0	0	0	0	1	0	0	1	0
Total-Peru	12	0	0	6	6	28	4	0	18	14	215	12	18	174	38
Mexico															
Office Durango	7	2	0	7	2	2	4	0	6	0	2	2	1	3	0
Office Chihuahua	1	0	0	0	1	1	0	0	1	0	0	0	0	0	0
Exploration	1	0	0	0	1	0	0	0	0	0	4	0	0	4	0
La Colorada	7	1	0	4	3	2	0	0	1	1	45	1	12	29	5
Dolores	8	1	0	6	3	9	0	0	7	2	88	8	7	74	15
Total - Mexico	24	4	0	17	10	14	4	0	15	3	139	11	20	110	20
Bolivia															
Offices (off Mine Site)	2	0	0	0	2	2	0	0	2	0	0	0	0	0	0
Exploration	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
San Vicente	1	0	0	0	1	6	0	0	3	3	14	2	0	13	3
Total - Bolivia	3	0	0	0	3	8	0	0	5	3	14	2	0	13	3
Argentina															
Offices (off Mine Site)	1	0	0	1	0	3	0	0	2	4	4	4	0	8	0
Joaquin	0	0	0	0	0	1	0	0	1	0	0	0	0	0	0
Cose	1	0	0	0	1	0	0	0	0	0	4	0	0	3	1
Manantial Espejo	1	0	0	1	0	7	2	0	8	1	55	0	4	48	3
Navidad	0	0	0	0	0	1	0	0	0	1	0	0	0	0	0
Calcatreu	0	0	0	0	1	1	0	0	0	1	1	0	0	0	0
Total - Argentina	3	0	0	2	2	13	2	0	11	4	64	4	4	59	4
Total	65	7	0	38	32	68	15	1	55	27	432	29	66	551	110

GRI Index

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G4 MM4	Number of strikes or lockouts exceeding one week's duration	
	None of our operations experienced strikes or lockouts exceeding a week's duration in 2017.	
Occupational Health and Safety		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	44

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404-1	Average hours of training per year per employee	43, 45, 47, 48
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Diversity and Equal Opportunity

405-1	Diversity of governance bodies and employees	47, 49
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Non-Discrimination

406-1	Incidents of discrimination and corrective actions taken	41
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Human Rights

Freedom of Association and Collective Bargaining

407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
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As at December 31, 2017, the right to exercise freedom of association and collective bargaining was not at a significant risk at any of our operations.

Child Labour

408-1	Operations and suppliers at significant risk for incidents of child labour risk	41
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Forced or Compulsory Labour

409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	41
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Security Practices

410-1	Security personnel trained in human rights policies or procedures	41, 47
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Rights of Indigenous Peoples

411-1	Incidents of violations involving rights of indigenous peoples	41
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G4 MM5	Total numbers of operations taking place in or adjacent to indigenous people's territories and formal agreements made	41
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Society

Local Communities

413-1	Operations with local community engagement, impact assessments, and development programs	30
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G4 MM6	Numbers and description of significant disputes relating to land use, customary rights of local communities, and indigenous people	41
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Two Ejido communities appealed a decision by the Mexican Agrarian Court related to certain land use agreements in connection with our Alamo Dorado mine. A small group of individuals filed a claim to the Agrarian court in connection with our La Colorada mine. Pan American will abide by the court process and continues to foster positive relationships with the communities around all our mines through our successful CSR programs.

G4 MM7	Grievance mechanisms used to resolve disputes relating to land use, customary rights of local communities, and indigenous people	41
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Mining and Metals

Artisanal and Small-Scale Mining

G4 MM8	Number and percentage of company operating sites where artisanal and small-scale mining takes place on, or adjacent to, the site	41
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We had no artisanal or small-scale mining by third parties occurring at any of our operations in 2017.

Relocation

G4 MM9	Sites where resettlement took place, the number of households resettled in each, and how their livelihoods were affected in the process	41
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Pan American Silver did not undertake any community resettlements in 2017.

Closure Planning

G4 MM10	Number and percentage of operations with closure plans	61
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Biodiversity and Mine Closure

Please visit our 2017 Sustainability Report website at: www.panamericansilver.com/sustainabilityreport2017

We welcome any feedback related to this report. Please direct your comments or questions to Matt Andrews, Vice President of Environment and Sustainability, or Monica Moretto, Director of CSR and Sustainability, at: csr@panamericansilver.com.

Forward-Looking Statements and Information

This document contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, and "forward-looking information" within the meaning of applicable Canadian provincial securities laws. All statements, other than statements of historical fact, are forward-looking statements or forward-looking information, including, but not limited to, those relating to the timing or achievement of future goals environmental management, including with respect to water management, sustainability performance, and safety. These statements reflect the current views of Pan American Silver Corp. (the "Company") with respect to future events and are necessarily based upon a number of assumptions (among other things for example, prices for materials and labour, and that there are no unplanned delays to the production schedule) that, while considered reasonable by the Company, are inherently subject to significant operational, business, economic and regulatory uncertainties and contingencies. Forward-looking statements and information involve many known and unknown risks, uncertainties and other factors that could cause actual results or performance to be materially different from the results or performance that are or may be expressed or implied by such forward-looking statements or information, including, but not limited to, factors such as: metal price fluctuations, fluctuation in the costs of energy, labour, materials and other inputs, fluctuations in currency markets and exchange rates, operational risks and hazards inherent with the business of mining (including, for example, environmental accidents, safety hazards, equipment breakdown, and natural disasters), changes in laws, and those factors identified under the heading "Risks Related to Pan American's Business" in the Company's most recent Form 40-F and Annual Information Form filed with the U.S. Securities and Exchange Commission and with Canadian provincial securities regulatory authorities, respectively. The Company has attempted to identify important factors, but there may be other factors that cause results not to be as anticipated, estimated, intended or described. Investors are cautioned against attributing undue certainty or reliance on forward-looking statements and information. The Company does not intend, nor assume, any obligation to update or revise forward-looking statements and information except to the extent required by applicable law.

