



# Sustainability and Growth

2016 SUSTAINABILITY SUMMARY REPORT

# About Endeavour Silver

Headquartered in Vancouver, Canada, Endeavour Silver Corp. is a mid-tier silver-gold mining company engaged in the evaluation, acquisition, exploration, development and exploitation of precious metals properties in Latin America.

We operate three silver-gold mines in Mexico: the Guanaceví mine in Durango state and the Bolañitos and El Cubo mines in Guanajuato state. We also own two development projects in Mexico – the El Compas project in Zacatecas state and the Terronera project in Jalisco state – as well as several early stage exploration properties in Mexico and Chile.

In 2016 we produced 5.4 million ounces of silver and 57,735 ounces of gold, equal to 9.7 million ounces of silver equivalents, at cash costs of \$ 6.78 per ounce of silver. In 2017 we plan to produce at slightly lower throughput and higher silver grades compared to 2016, resulting in similar silver production and slightly lower gold production estimates. Silver production in 2017 is guided to be in the range of 5.2 to 5.7 million ounces with gold production in the 50,000 to 53,000 ounce range, for silver equivalent production of 8.9 to 9.7 million ounces. Cash costs are forecast to be \$6.50 to \$7.50 per ounce of silver.



## PRODUCING

1 GUANACEVÍ MINE

2 BOLAÑITOS MINE

3 EL CUBO MINE



## DEVELOPMENT

4 TERRONERA

5 EL COMPAS



## EXPLORATION

6 PARRAL

7 GUADALUPE Y CALVO

8 LOURDES



# Our Sustainability Report

2016 marks Endeavour Silver's fourth consecutive year of sustainability reporting using the Global Reporting Initiative as our reporting framework. Our Sustainability Report provides performance data on the core aspects of our sustainability strategy: expanding our commercial success and creating economic value for our stakeholders, upholding rigorous safety standards, procedures and training to ensure our employees work in a safe and healthy manner, minimizing and mitigating the environmental impacts of our business, and improving the quality of life for our employees and nearby communities.

It also includes the areas of greatest interest and impact to our stakeholders which include the above as well as the added topics of: compliance, water, waste, energy and emissions, biodiversity, closure planning, and engagement with local communities.

## Governance

At Endeavour, our most important shared values are ethical conduct, honesty, integrity, and accountability. We are committed to this corporate culture – we do what we say we are going to do, and we strive to ensure our policies and practices extend beyond regulations and laws. We work to ensure our robust and evolving governance processes support our commitment to high ethical standards alongside our sustainable business development priorities.

- Our Code of Business Conduct and Ethics Policy is based upon our commitment to the values of honesty, integrity, and accountability, and promotes honest and ethical conduct, full, fair, accurate, timely and understandable disclosure, and compliance with applicable governmental rules and regulations. To ensure compliance with the Code and the high behavioral standards we expect, the Company distributes a copy of the Code to our employees during the induction training process.

**Our Mission** is to become a premier senior producer in the silver mining sector. We find, build, and operate quality silver mines in a sustainable way to create value for our stakeholders. By continually improving what we do and how we do it, we aim to make a positive difference in peoples' lives.

- A proactive approach to anti-corruption and anti-bribery is aligned with evolving international laws as well as our corporate values, which collectively are important to retaining trust amongst our stakeholders. Endeavour has a zero-tolerance policy for bribery and corruption by employees, officers, directors, agents, consultants, and contractors of the company.
- We are committed to respecting the human rights of people related to, or affected by, our operations and we treat everyone we come into contact with - our employees, contractors, local communities and host governments - with dignity and respect.
- Our Whistleblower Policy provides a company-wide protocol for the confidential reporting, without fear of reprisal, of any fraudulent, unethical, or illegal activity or behavior. Concerns can be reported, on a confidential and anonymous basis, by mail, email, or by telephone in both English and Spanish.

## STAKEHOLDER ENGAGEMENT

Endeavour is committed to engaging in open and inclusive dialogue with our stakeholders, who we identify as those groups or individuals who may be impacted or affected by our business activities. We identify, map, and prioritize our stakeholders from our direct and indirect influence areas on the basis of who may be the most impacted or affected over time. This is an ongoing process that we continuously monitor and update. We work with all of our key stakeholders groups to share ideas on how to generate mutual benefit from our business activities, and we integrate the results of our engagement efforts into continual improvement processes and our operational decision making.



# Economic

## ECONOMIC PERFORMANCE

Our economic performance impacts our entire stakeholder universe, but in particular, our employees (most of whom are community residents in close proximity to our mining operations), our supply and customer chain, and our shareholders. We regularly monitor our economic performance against our targets and objectives, conduct opportunity and risk assessments, and integrate these factors into our ongoing economic strategy - revising our strategy with changing internal or external factors affecting our business and the economic sustainability of the company.

Our business operations stimulate economic activity and contribute to the national and local economies everywhere we operate – going beyond wages and salaries and contributing to the local and national economy of Mexico. This occurs through taxes and royalties that we pay to the Mexican government to further support regional socio-economic development, through business opportunities we create with local suppliers, and through the infrastructure investments we make. We also create opportunities for social development through our Community Investment Program.

## LOCAL PROCUREMENT

Endeavour relies on a comprehensive network of contractors and suppliers to service the business activities of our operating mines and exploration and development sites. We use best efforts to procure goods and services from nearby sources whenever possible. This is not only for competitive pricing purposes, but of equal importance, to ensure that local and regional communities receive significant benefit from the economic activity generated by our business activities.

In Mexico, the bulk of our supplies and equipment can be acquired locally, and we only need to turn to international suppliers to provide us with certain special heavy equipment and mineral processing

chemicals. We have a company-wide protocol in place regarding local procurement. All purchase decisions must be made in compliance with our policy on Contracting Services and Working with Third Parties. The company expects suppliers to follow Endeavour's health, safety, environmental, and labour standards.

In 2016 we spent approximately \$52.2M on goods and services for use in our business activities. Of that total, approximately \$13.6M (or 26.2%) was procured within state (compared to 18.7% in 2015), \$37.7M (or 72.3%) was acquired within Mexico, while only a little over \$800,000 (or 1.5%) needed to be sources from international sources.

## COMMUNITY INVESTMENT

We aim to make a positive and lasting difference in the lives of the people in the communities in which we operate. We make every attempt to align our community investments with the needs of our community stakeholders and support their long-term development.

In 2016 our Community Investment Policy underwent a revision to narrow the focus of our funding priorities. In 2017 our community investment funding will align with the following strategic priorities:

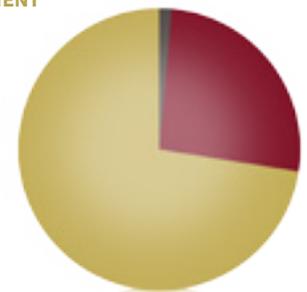
- Education (scholarships, school facilities, teaching materials etc.)
- Employability (trades workshops, assessments or materials to establish small businesses)
- Health and infrastructure for public services (when done in collaboration with communities or government)

Approximate economic value generated in 2016: **\$156 M**

Approximate economic value distributed in 2016: **\$140 M**



## LOCAL PROCUREMENT



|                                |       |
|--------------------------------|-------|
| ● COUNTRY PROCUREMENT (MEXICO) | 72.3% |
| ● STATE PROCUREMENT            | 26.2% |
| ● INTERNATIONAL PROCUREMENT    | 1.5%  |



# Environment

The environment is important to our entire universe of stakeholders and the protection of the environment is a key corporate value at Endeavour. Our Environmental Policy articulates our commitment to the protection of the environment for future generations: to prevent or mitigate, as much as reasonably possible, the impacts of mining on the natural environment, improve the efficiency of our use of natural resources (e.g. land, water, energy, etc), reduce waste, and increase waste recycling through effective, efficient improvements to our policies and practices.

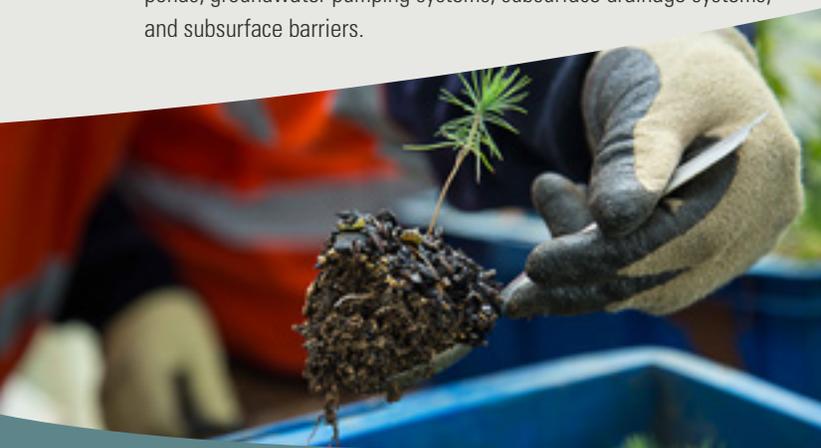
We aim to meet—and, where possible, exceed—local environmental laws and regulations, focusing on responsible, sustainable, and best environmental practices. We maintain ongoing communication with our local communities, keeping them informed about the potential environmental impacts of our operations. We design and support cooperative environmental initiatives, and strive to address local environmental concerns.

Endeavour's environmental suppliers are screened by our environmental department to ensure their procedures and standards comply with government regulations and that they are aware of our environmental commitments and principles.

## WATER

We carefully consider local water supply when we plan the water requirements for developing, operating, expanding, and rehabilitating our mines, and in our exploration and pre-development work.

We are constantly seeking opportunities to minimize freshwater use and we are actively engaged with our local communities regarding the availability and optimal, efficient use of water. We recycle and reuse water to reduce our reliance on fresh water. To monitor and control water flow at our mine sites, we rely on diversion systems, containment ponds, groundwater pumping systems, subsurface drainage systems, and subsurface barriers.



In 2016, approximately **\$1.5M in environmental expenditures** were made

## ENERGY AND EMISSIONS

Energy is one of our most significant operating costs, mainly comprised of fuel for transport and electrical power. Diesel and gasoline are used in transporting products and people. Stationary energy is comprised of purchased electricity (all three of our operations draw from state power grids), diesel for generators, and natural gas for the smelting furnaces at Guanaceví. Our total energy consumption in 2016 was approximately 636,000 GJ. Measuring energy intensity enables us to understand the efficiency of our processes and monitor the progress of our energy-reduction efforts. In 2016, our average energy intensity was 0.44 GJ/tonne of processed material.

Purchased electricity remains our biggest source of emissions, followed by diesel for mobile equipment. Diesel used for mobile equipment includes heavy and light vehicles used in the mining process and for the transport of our personnel. Propane, gasoline for mobile equipment, and the use of explosives form only a minimal source of emissions. Our total direct and indirect greenhouse gas emissions in 2016 were 73,407 tonnes of CO2 equivalent (tCO2e).

## BIODIVERSITY

We are committed to protecting and preserving local ecosystems. All of our sites and the Terronera exploration project have conducted environmental impact assessments to identify endangered or at-risk flora or fauna. We are committed to reclaiming all land disturbed during the mining process, and during each mine's planning process we plan for the potential risks and impacts, both inside and outside our concession areas.

## MINE CLOSURE PLANNING

Each of our operations has a closure plan, all of which were developed using guidance provided by the British Columbia Ministry of Energy and Mines. Mexican environmental law also requires that tailings ponds be monitored for a certain period of time (to be determined at closure) to ensure there is no risk of spillage. All of our mine closure plans were updated in 2015 to account for changes in the scope and footprint of the operations and adjust for anticipated costs for remediation or reclamation.

### PRIMARY SOURCE OF WATER BY SITE

#### GUANACEVÍ

The Guanaceví River, recycled water from tailings, groundwater (egress), and rainwater

#### BOLAÑITOS

Recycled water from tailings, groundwater (ingress) and purchased water

#### EL CUBO

Recycled water from tailings and groundwater (ingress)

#### EXPLORATION

Purchased water

# Community

Endeavour makes every effort to minimize or mitigate any negative impacts our operations may have on the communities in which we operate. We recognize that our business activities can have significant economic and social impacts on local communities if not managed properly throughout the life-cycles of our mines.

Our committed and continuous approach to community engagement facilitates open lines of communication and dialogue, and contributes to the development of our reputation of integrity and the formation of trust with our community stakeholders in order to maintain meaningful relationships and preserve our long-term social license.

## COMMUNITY ENGAGEMENT

Endeavour is committed to engaging in open and inclusive dialogue with our stakeholders – those individuals or groups who are impacted or affected by our operations. We engage with the communities near our mines in order to build trust, share and understand perspectives, and ensure that our efforts to create value are aligned with the community's expressed needs.

We have a Community Relations coordinator at each site, who regularly engages with community members to share information about the operation, assess community needs, listen to feedback and complaints, and determine methods of supporting the welfare of the community and their surrounding environment.

## COMMUNITY INVESTMENT

We aim to make a positive and lasting difference in the lives of the people in the communities in which we operate. We make every attempt to align our community investments with the needs of our community stakeholders and support their long-term development.

In 2016, we invested \$165,076 in community programs across our three operations in Mexico. This does not include in-kind donations or staff time (paid or volunteer) devoted to these initiatives. The corporate office in Vancouver made contributions of \$27,154 in 2016 in support of health and environment-related charities.

## COMMUNITY FEEDBACK

In 2016, a Community Grievance Mechanism was developed using the standards of the International Finance Corporation (IFC) and the United Nations Guiding Principles on Business and Human Rights. As such, it was developed to be: legitimate, accessible, equitable, transparent, compatible with human rights, and a source of continuous learning. Once fully implemented in 2017, the Community Grievance Mechanism will address concerns or complaints from community members or other external stakeholders with a defined procedure for managing and responding to these concerns in an organized, respectful, transparent and timely manner.

## SOCIAL MINE CLOSURE PLANNING

While our environmental mine closure obligations are a top priority, we are also sensitive to the social implications and economic impacts of mine closure. The communities surrounding Guanaceví, Bolañitos and El Cubo have all expressed concern regarding their economic dependency on the mines and eventual closure. Mexico has a strong mining industry and skilled people may be able to find alternative employment, however for others, the regions may offer few alternative employment opportunities. We support the acquisition of transferable or transportable skills for both men and women, with the long-term vision of supporting the community in finding other options for work upon mine closure.

## ENDEAVOUR SILVER COMMUNITY INVESTMENT POLICY

### Education

Scholarships, school facilities, teaching materials etc.

### Employability

Trades workshops, assessments or materials to establish small businesses

### Health and infrastructure for public services

In collaboration with communities or government

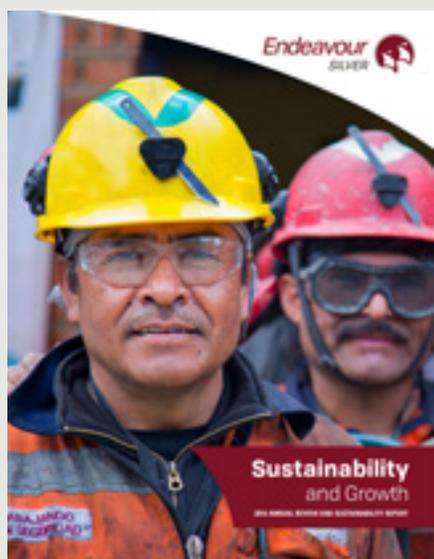


## 2016 COMMUNITY INVESTMENT EXPENDITURES BY TYPE

|                        |     |
|------------------------|-----|
| SPORTS                 | 26% |
| INFRASTRUCTURE         | 25% |
| TRADITIONS AND CULTURE | 19% |
| HEALTH                 | 14% |
| OTHER                  | 8%  |
| EMPLOYABILITY          | 3%  |
| ENVIRONMENT            | 3%  |
| EDUCATION              | 2%  |

## Corporate Office

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To access the full 2016 Annual Review and Sustainability Report:  
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### CAUTIONARY NOTE ON FORWARD LOOKING STATEMENTS

This Sustainability Report may contain “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 securities legislation.

Such forward-looking statements include but are not limited to statements regarding Endeavour’s anticipated performance in 2017 and are based on assumptions management believes to be reasonable, including but not limited to: the continued operation of the Company’s mining operations, no material adverse change in the market price of commodities, mining operations will operate and the mining products will be completed in accordance with management’s expectations and achieve their stated production outcomes, etc.

Forward-looking statements or information involve known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Endeavour and its operations to be materially different from those expressed or implied by such statements.

Such factors include, among others, changes in national and local governments, legislation, taxation, controls, regulations and political or economic developments in Canada and Mexico; operating or technical difficulties in mineral exploration, development and mining activities; risks and hazards of mineral exploration, development and mining; the speculative nature of mineral exploration and development, risks in obtaining necessary licenses and permits, and challenges to the Company’s title to properties; as well as those factors described in the section “risk factors” contained in the Company’s most recent form 40F/Annual Information Form; available at [www.sedar.com](http://www.sedar.com).

There can be no assurance that any forward-looking statements or information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements or information. The Company does not intend, and does not assume any obligation, to update such forward-looking statements or information, other than as required by applicable law. Accordingly, readers should not place undue reliance on forward-looking statements or information.