

SAFETY

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INTEGRITY

SUSTAINABILITY

EXCELLENCE

We are accountable for our own success. We operate cost-competitive mines by applying continuous improvement and technology-driven solutions.

Driving Safety, Productivity and Cost-Efficiency

Driving continuous improvement in safety, productivity and costs has long been part of Peabody's culture, and many of the best ideas come directly from the workforce. Continuous improvement is a thread that runs through all Peabody operations across the globe, and many mines have recently increased focus on the operating principle by appointing a dedicated Continuous Improvement site manager.

Cost-Effective and Cost-Competitive

Whether in the offices or at the mines, Peabody operates cost-competitive and cost-effective operations. Against a challenging industry backdrop, Peabody's global workforce maintained an intense focus on the company's four areas of emphasis in 2015 – Operational, Organizational, Portfolio and Financial – marking significant improvement in managing costs and capital spending, creating a leaner organization and advancing multiple work streams to shape the portfolio and achieve the company's financial objectives.

Peabody Australia has launched the *Project Excellence* initiative to provide increased structure and momentum around the continuous improvement efforts already underway across multiple Australian operations. Central to the initiative is an integrated, targeted plan of cost reductions and productivity improvements across several operational areas including maintenance, labor and materials.

The program builds upon prior cost containment activities implemented throughout the Australian platform that helped save the company more than \$500 million in recent years. Employees throughout the Australian business unit contributed to these efforts, which resulted in a 24 percent reduction in cost per ton in 2015 despite reduced sales volumes.

One model for the sorts of advancements that *Project Excellence* is designed to replicate across Australia can be found at North Goonyella Mine, located in the region's Bowen Basin. In 2015, facing continued market headwinds, North Goonyella implemented a modified production plan to lower costs, improve cash flow and increase productivity, while preserving high-quality hard coking coal reserves for sale once markets improve. Changing to a single production day shift and a single maintenance night shift delivered budget improvements, greater flexibility and increased efficiency resulting in more than \$1 million in savings.



North Goonyella Mine in Australia reduced costs and increased productivity by integrating the principles embodied within Peabody's Excellence value into daily operations.

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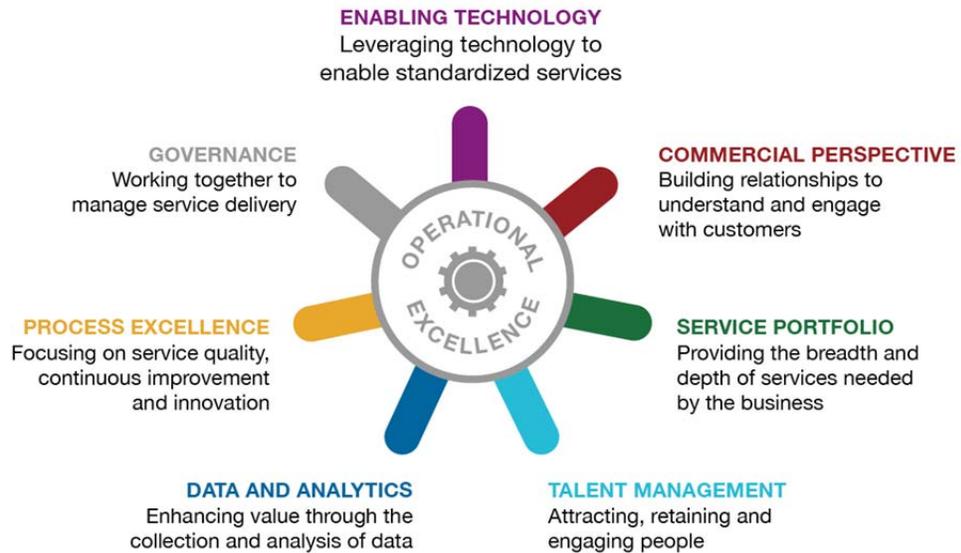
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Peabody Business Services Operating Model



Shared Service Solutions

In 2015, the company launched Peabody Business Services (PBS), a shared services solution that marked a milestone in the company's shift toward a centralized, standardized operating model to drive increased efficiency and productivity.

As a trusted business partner to Peabody's corporate and global business units, PBS consolidated and streamlined several functions from Information Technology, Human Resources, Finance and Supply Chain that provide transactional and administrative services. Among the myriad of activities now within the scope of Shared Services include Global Business Systems, Information Technology Infrastructure and Operations, Accounts Payable, Procurement, Master Data Management, Payroll, Benefits Administration, Recruiting, Human Resources Operations and Systems, Accounts Receivable, and Sales and Accounting. Cost savings from PBS implementation were \$5 million in 2015.

By leveraging systems, standards and processes and focusing on service delivery, PBS helps ensure end-to-end process efficiencies and continuous improvement in these critical business activities.

Peabody People – Innovators, Inventors

Chief among Peabody's 2015 accomplishments, our employees delivered the safest year in the company's history in terms of reportable incidents, which reflects Peabody's first value of Safety. Employees across the company are encouraged to apply continuous improvement principles in the ongoing goal for safer and more productive mining operations.

Over the years, many Peabody engineers and miners turned inventors have patented products stemming from the ongoing continuous improvement projects in place at our operations. Their original and ingenious designs have increased productivity, improved safety and enabled technology transfer across the industry.

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Peabody's Safety Innovation Awards demonstrate the company's commitment to safety and foster the sharing of best practices across Peabody and the industry. Millennium Mine's T282C Air Filter Access Platform, pictured at left, was awarded first place as well as Most Transferable as it can be used to complete other manual handling tasks. Bear Run's JB1 Extraction Slide, pictured at right, earned second place for its original safety design to transport sick or injured workers.

Nearly sixty years ago, Chuck Finley, a miner at Peabody's former underground mine in Tovey, Illinois, used a deceptively simple chain and hook design to lift the tailgates of empty mine cars, later patenting his Charlie McCarthy invention, which was used throughout the industry.

While technology has changed considerably over the years, we continue to maintain the same determination to solve challenges with creative solutions.

Peabody's Safety Innovation Awards program formally recognizes original ideas and inventions throughout Peabody's operations and increases awareness of best practices among the workforce. Winners of the annual competition, now in its sixth year, were acknowledged in 2015 for their commitment to safety and for demonstrating inventiveness, creativeness and achievement. Emerging victorious from a field of 32 entries representing Peabody underground and surface mining operations across the globe, the T282C platform from Millennium Mine in Queensland, Australia took top honors. Designed by reliability engineer Brad Enthoven, the T282C platform was named Best Overall and Most Transferable for its custom-designed platform that reduces manual handling risks when changing out air filters on mobile equipment.



Matt Brown (left) and Paul Rohrich (right) from Wilpinjong Mine used a drone to monitor the Tailings Dam to improve safety and efficiency.

Second place Safety Innovation Award honoree, the JB1 Extraction Slide from Bear Run Mine in Indiana, was created by Peabody miner Jason Bradbury and was also named Most Original entry. The JB1 uses a frame that allows sick or injured workers to be safely, smoothly and quickly lowered in a Stokes Basket and helps improve the safety of rescue teams by reducing exposure to back strains.

Taking third place in the competition and the winning designation as Most Effective is the design of Matthew Brown and Paul Rohrich from Wilpinjong Mine in New South Wales, Australia, for their innovative drone device that monitors the Wilpinjong Mine Tailings Dam.

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Serving as an eye in the sky, the drone reduces major risks associated with manually placing targets on the tailings dam and enables the team to more quickly and easily monitor the area making the work more efficient and affordable.

In addition, special recognition was reserved for the year's Most Cost Effective safety solution, the Dozer Catwalk, designed by Francisco Mine in Indiana, which greatly improved visibility by realigning the grating on the rear catwalk.

While the employees, teams and operations honored with Safety Innovation Awards represent the best of a best-in-class workforce in the areas of inventiveness and creativity, Peabody emphasizes that safety is not a lofty goal that requires a patent-worthy invention or a special award to achieve. The company stresses that the responsibilities and rewards of safety require Peabody employees to develop safe solutions to common challenges and devise original ideas to save time, and indeed, improve safety.



The Dozer Catwalk at Francisco Mine efficiently improves visibility behind the dozer.

Embracing Tradition, Enhancing Technology

Peabody's surface and underground mines use 21st century technology and equipment to maximize safety and efficiency. For instance, Peabody's advanced Data Analytics Platform was designed to get key information to the right people in a timely manner on a user-friendly dashboard, both at the mines and corporate offices. Our Information Technology team partnered with mine operations to design a solution that enables access to real-time key performance indicators of mining equipment, resulting in increased safety and efficiency without additional capital equipment or personnel. The scalable solution was piloted at our Bear Run and North Antelope Rochelle (NARM) mines.

The Data Analytics Platform has provided our Supply Chain Management team with the ability to analyze a large amount of data, including supplier spend, price escalations, lead times and performance against warranties. The team has effectively utilized these analytics to identify over \$3 million in annual cost savings.

Peabody Map Viewer is an enterprise wide intranet-based system developed to map and display spatial data, helping different parts of the organization such as Land and Geology make better business decisions faster. The system takes pertinent data from multiple sources, organizes it, displays it on a map and allows it to be queried, searched and sorted. The spatial mapping data combined with equipment tracking can pinpoint issues so preventive or corrective action can be taken. For example, the precise spot of excessive brake use was identified by mine planners at NARM and remedied by decreasing the angle of descent on the ramp.

Peabody continues to pioneer technical advances in mining. For instance, a conveyor and blending system developed at NARM is unique among large U.S. surface mines and enables the operation to blend coal with great precision and efficiency to meet exacting customer specifications.

In addition, North Goonyella's infrared thermal camera on underground mobile equipment was announced as the winner of the 2015 Innovation Awards at the Queensland Mining Industry Health and Safety Conference. The innovation, adapted from earlier use at both Metropolitan and Wambo, uses infrared cameras to detect heat signals from miners that alert the vehicle operator, helping to reduce the likelihood of person-to-equipment contact.

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Also, in 2015, Peabody's North Goonyella operation began integrating SafeStart[®] into the site's safe mining processes through an outburst zone using remote mining technology – a first for the Bowen Basin.

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Peabody engineers, maintenance and purchasing teams also partner with other companies, equipment suppliers and governmental agencies to pursue new technologies that have the potential to improve our safety, operating performance and mining capabilities. We are currently exploring, implementing or using leading technology to assist with proximity detection and fatigue monitoring.

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