

INTEGRITY

We act in an honest and ethical manner.

Corporate Governance

Our commitment to operating with integrity is a foundational tenet as one of Peabody's core values to do what's right every time, all the time.

Peabody employees understand the importance of staying true to the company's mission, which emphasizes our focus on creating superior value for shareholders to enable economic prosperity and a better quality of life. This is the company's declaration of principles that gives our work meaning, and provides the foundation for all our activities.

Board of Directors

Peabody is governed by a board of directors consisting of 11 members as of March 31, 2016. Ten members of the board are independent, including our non-executive Chairman. The board of directors appoints and oversees the Chief Executive Officer and other officers who are charged with the conduct of the company's business. Directors have full access to officers and employees of the company and its affiliates.

Board members serve on five standing committees: Audit; Compensation; Executive; Health, Safety, Security and Environmental; and Nominating and Corporate Governance. Each standing committee has adopted a formal charter that describes in detail its purpose, organizational structure and responsibilities.

Corporate Governance Practices and Principles

Peabody's corporate governance program is robust, extensive and subject to ongoing evaluation and oversight. The board ensures sound corporate governance practices and promotes the best interests of the enterprise with the compliance function reporting to the board's audit committee.

The board of directors operates under a set of governance principles covering such issues as board and management roles and responsibilities, board composition and director qualifications, election procedures, meeting procedures, committee functions, director orientation and continuing education, management evaluation and succession, and overall corporate compliance and safety standards. A complete list of [Peabody's governance practices](#) is included in the Appendix.



Our mission is to create superior value for shareholders as the leading global supplier of coal, which enables economic prosperity and a better quality of life.

Our Values

- **Safety:** We commit to safety and health as a way of life.
- **Customer Focus:** We provide customers with quality products and excellent service.
- **Leadership:** We have the courage to lead, and do so through inspiration, innovation, collaboration and execution.
- **People:** We offer an inclusive work environment and engage, recognize and develop employees.
- **Excellence:** We are accountable for our own success. We operate cost-competitive mines by applying continuous improvement and technology-driven solutions.
- **Integrity:** We act in an honest and ethical manner.
- **Sustainability:** We take responsibility for the environment, benefit our communities and restore the land for generations that follow.

Peabody's mission statement was refreshed in 2014 as part of a broad engagement program to ensure alignment with company values.

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Code of Business Conduct and Ethics

Directors, officers and salaried employees must adhere to a Code of Business Conduct and Ethics that is designed to foster a culture of ethical decision making, prevent corruption, avoid conflicts of interest, achieve compliance with laws and protect our company assets. This code defines ethical standards to help establish and maintain our reputation as a world-class company.

Peabody informs employees of the obligation to act in a responsible, ethical and constructive manner through workplace communications and training sessions. All salaried employees are required to complete annual training and provide written certification of compliance with the Code. Any potential issues or concerns that could violate the company's Code are investigated and reported to the board of directors.

Communications, Transparency and Training

Peabody's shareholders, customers, employees and the public can communicate directly with the board of directors by submitting written comments to the Chairman, Peabody Energy, Peabody Plaza, 701 Market St., St. Louis, MO 63101. These written communications are forwarded to board members and reviewed by the full board whenever appropriate.

The company also has established procedures for the receipt, retention and investigation of reported violations of the Code of Business Conduct and Ethics. Employees who have concerns about business practices are asked to raise their concerns directly to their management, human resources representatives, the Assistant General Counsel of Compliance, or to contact the company's *Tell Peabody* hotline. Reports to the hotline are managed by the company's Assistant General Counsel of Compliance, who determines the appropriate action, including investigation. Report summaries are routinely distributed to senior management and discussed with the Auditing and Nominating and Corporate Governance Committees.

Peabody ensures that key corporate compliance and governance information and documents are accessible to shareholders and other stakeholders on PeabodyEnergy.com.

Peabody's current compliance program incorporates many effective elements. Still, the company's executive leadership believes this is an area that requires continuous attention. Peabody continues to supplement its risk management assessment to ensure that all significant legal and compliance risks affecting its businesses have been identified, and that appropriate training programs and policies are in place.

Balanced Policymaking Essential to Achieve Energy, Environmental and Economic Goals

As part of our commitment to operating with integrity and transparency, and given our role as a leader in the coal industry, we believe it is essential for us to participate constructively and responsibly in the political process and provide recommendations to policymakers for global energy, environmental and economic policies. We are particularly focused on advancing the use of coal, as part of a balanced energy mix, to provide abundant, reliable, low-cost energy to help meet the world's growing energy demand and elevate the standard of living for millions who lack proper energy access.

Following the 2015 United Nations Climate Change Conference in Paris, commonly referred to as COP21, global leaders agreed to take steps to reduce greenhouse gas emissions. U.S. President Barack Obama signed a non-binding agreement at the conference to voluntarily commit the United States to a 26 to 28 percent reduction in CO₂ emissions by 2025 compared to 2005 levels.

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The administration cannot enter into a climate treaty without Senate approval, and the Senate clearly is not in favor of proposals that impose harmful mandates or disproportionate impacts on the U.S. economy. Peabody believes greater discussion is needed about energy solutions to deliver reliable, affordable and low-carbon electricity in the United States and around the world.

When it comes to creating a sustainable energy future, fuel choices and policies matter. We must acknowledge that each fuel has inherent strengths and challenges, and that all forms of energy are needed. Coal's advantages include a track record of reliability and scalability, affordability and security of supply. The world continues to rely on a diverse mix of fuel sources with coal playing an important role.

Fossil fuels comprise more than 80 percent¹ of global energy, and fossil fuel use is expected to grow in coming years. Peabody believes we need to advance greater use of today's high-efficiency, low-emissions (HELE) technologies and commercialize next generation solutions for carbon capture use and storage (CCUS), which are important for coal, natural gas and industrial applications. Peabody supports increased investment and public-private support for technologies to reduce emissions.

Read more about our position on advanced coal technologies in the [Leadership section](#).

India Investing In Coal

The International Energy Agency estimates that there are more than 300 million people living in India without access to electricity.² As the world's second most populated country and third largest energy consumer³, India is facing enormous rising needs for energy and steel, and has been focusing its energy policies around securing adequate resources to meet the growing demands of its economy. With coal on target to remain the most important fuel source in India for decades to come, the country is continuing its investment in coal-fueled electricity.

Prime Minister Narendra Modi has echoed coal's vital contribution as an affordable and widely available fuel to develop the country and lift its citizens out of poverty. India is strategically outlining its coal build-out to allow for advanced coal technologies, including supercritical power plants.

¹ International Energy Agency, *World Energy Outlook 2015*.

² International Energy Agency, *World Energy Outlook 2014*.

³ Australian Government, *Office of the Chief Economist, Coal in India*.

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U.S. Environmental Protection Agency’s (EPA) Power Plant Regulations

As an energy leader, our charge is to expand energy access for families living without power, maintain a reliable supply to satisfy existing needs and plan for long-term growth. We all share the goals of affordable energy, strong economies and a clean environment. Keeping electricity costs low is why coal is essential to energy mix. And yet, the U.S. administration is forcing its carbon agenda to reduce coal use at a time when coal is used to generate electricity in 47 states.⁴

A NERA Economic Consulting study concludes that the Clean Power Plan will increase energy sector expenditures \$220 to \$292 billion from 2022-2033. It will also increase the average U.S. retail electricity rate up to 14 percent each year over the same time period.⁵ The government should not impose artificial carbon caps or renewable mandates that will hurt people and cripple economies for negligible environmental benefit.

Regarding emissions progress for coal, this begins with deployment of high efficiency, low emissions (HELE) power stations using technology that is available today. Longer-term investments in next generation carbon capture, use and storage (CCUS) technologies are necessary to transition to the ultimate goal of near-zero emissions from coal-fueled power. HELE and CCUS technologies must be part of the solution to achieve goals of substantial reductions in greenhouse gas emissions.

Throughout 2015, Peabody joined other industry participants and officials from 29 states and state agencies to contest the legality of the administration’s regulations, which would raise U.S. power costs and damage reliability of the electricity grid with no significant global environmental benefit. In February 2016, the U.S. Supreme Court voted to temporarily halt implementation of the EPA’s Clean Power Plan while the Court continues to review the rule’s legality at the U.S. Court of Appeals for the District of Columbia. Peabody applauded the Supreme Court’s decision to protect affordable energy for families and businesses across the United States.

Peabody, New York Attorney General Resolve Longstanding Questions Regarding Climate Change Disclosures

Peabody reached a resolution with the New York Attorney General’s office regarding the company’s disclosures involving climate change in 2015. Following an extensive eight-year investigation initially discussed in the company’s 2007 disclosures, Peabody agreed to modifications in its financial disclosures centered on two primary areas.

The first change centers on the International Energy Agency (IEA) World Energy Outlook scenarios, which Peabody has long cited. In the future, the company agreed to enhance its disclosure around all the published scenarios when referencing IEA’s World Energy Outlook. The second change involves how Peabody characterizes potential impacts from hypothetical future laws to coal markets and the company. There was no other action associated with the settlement, and no admission or denial of wrongdoing and no financial penalty.

Political and Lobbying Activities

Peabody’s political and lobbying activities are directed by our executive leadership team with oversight from Peabody’s board of directors, and conducted in accordance with applicable law, our Code of Business Conduct and Ethics, our corporate policy on political contributions and our corporate policy on lobbying activities. Links to these policies can be found on PeabodyEnergy.com. All financial contributions adhere to federal, state and local laws regarding contribution limits on amount and source criteria, and reporting requirements. No contribution will be made in anticipation of, in recognition of, or in return for an official act by the recipient of the contribution.

⁴ U.S. Energy Information Administration, *Electric Power Monthly*, February 2016.

⁵ NERA Economic Consulting, *“Energy and Consumer Impacts of EPA’s Clean Power Plan*, November 2015.

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Peabody’s political contributions, Political Action Committee (Peabody PAC) and U.S. lobbying expenditures are a matter of public record, and the most current information is available through the Federal Election Commission, state campaign finance report, and the U.S. Senate and U.S. House of Representatives.

All political spending reflects Peabody’s or the Peabody PAC’s overall business interests, and not those of individual officers or directors. We recognize that political candidates, office holders, industry groups and trade associations may support positions that align with some of our interests, but conflict with other interests. In these instances, we base our involvement on those areas of mutual agreement that we believe will bring about good public policy.

Oversight by the Board of Directors

As part of its oversight role, the Nominating and Corporate Governance Committee of our board of directors annually reviews Peabody’s political contributions, lobbying expenditures, industry group and trade association participation and grassroots lobbying activity. The committee is provided with detailed information about the recipients and amounts of political contributions made by Peabody and the Peabody PAC (to the extent permitted by law), as well as information regarding lobbying expenditures, industry group and trade association participation and grassroots lobbying expenditures.

Peabody Participates in First U.S. Extractive Industries Transparency Initiative (USEITI) Report

The Extractive Industries Transparency Initiative (EITI) is a global standard that promotes open and accountable management of natural resources. In 2015, the United States published its first EITI report covering the fiscal year 2013. The report provides a benchmark for good governance and a valuable way to show the importance of the extractive industries to the national, state and local community economies.

In addition, the report includes extensive data and information about the extractive industry’s role and activities in the United States. Peabody believes transparency is a key element in being a good corporate citizen. The company was proud to contribute to the report, which supports our Integrity value of conducting business with honesty, truthfulness, and sincerity while remaining compliant with all laws and regulations.

Peabody Contributions to Candidates, Committees and Political Organizations

Although U.S. federal law prohibits companies from contributing to candidates for federal office, many states allow corporate contributions to state and local candidates, committees and political organizations. The company’s board of directors has authorized Peabody to contribute to state and local candidates for public office, political committees and political parties, and for other political purposes, subject to any legal limitations and applicable reporting requirements. Peabody political contributions must be reviewed and approved of Peabody’s Executive Vice President, Chief Legal Officer, Government Affairs and Corporate Secretary and Senior Vice President of Global Government Affairs.

In 2015, Peabody made \$159,300 in U.S. corporate political contributions. An itemized list of the 2015 Peabody political contributions can be found on PeabodyEnergy.com.

Peabody Political Action Committee (Peabody PAC)

Peabody has established a separate segregated fund under U.S. federal law – the Peabody PAC, which is a nonpartisan political fund that provides financial support to candidates.

The Peabody PAC is funded entirely through voluntary contributions from eligible contributors, primarily from Peabody employees who meet certain eligibility requirements. By law, Peabody is

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prohibited from favoring or disadvantaging any person by reason of the amount of his or her contribution or the decision not to contribute to the Peabody PAC; coercive Peabody PAC solicitations are strictly prohibited. Employees will not be reimbursed directly or through compensation increases for personal political contributions or expenses.

The Peabody PAC is governed by a board appointed by Peabody's Chief Executive Officer, and that board approves all Peabody PAC contributions. In 2015, the Peabody PAC made \$43,500 in U.S. political contributions. An itemized list of the 2015 Peabody PAC contributions can be found on PeabodyEnergy.com.

Lobbying

Peabody tracks proposed legislation and engages with governments around the world to advocate policies that protect affordable energy and ensure coal's continued role as part of a balanced global energy mix. We actively lobby the U.S. Congress and state legislatures on a number of important public policy issues, such as access to resources, taxes, energy policy, trade, and environmental legislative and regulatory policy. From time to time, Peabody also participates in grassroots lobbying with respect to legislation affecting our business.

In accordance with the Lobbying Disclosure Act, we publicly report our U.S. federal lobbying expenses on a quarterly basis, including the issues lobbied. This reporting is accessible on the U.S. Senate's website at Senate.gov. Our reports are filed under the name of Peabody Investments Corp. Where required, Peabody files similar periodic reports with state agencies, reflecting state lobbying activities.

The quarterly lobbying disclosures available on the U.S. Senate's website disclose lobbying expenses for each calendar quarter rounded to the nearest \$10,000, as required by the filing instructions. These reports reflect that Peabody's total U.S. federal lobbying expense for 2015 was approximately \$1.9 million, as determined using the Lobbying Disclosure Act method for reporting such expenditures.

Peabody filed lobbying disclosure reports in Arizona, Illinois, Indiana, Kentucky, Missouri and Wyoming in 2015 based on each state's lobbying disclosure requirements. In Arizona, we had \$420 in reportable lobbying expenses and in Illinois we had \$686.20 in reportable lobbying expenses. Unlike other states, Indiana and Kentucky require that lobbyist compensation be publicly reported, and therefore the amount reported is much larger than other states. We reported \$60,456.88 in lobbying expenses in Indiana and \$72,516 in lobbying expenses in Kentucky. All other states we reported in had no lobbying expenses.

Industry Trade Groups, Trade Associations and Other Organizations

Peabody is a member of numerous industry groups and trade associations, as well as nonprofit organizations focused on public policy issues. We work with these organizations because they represent the mining industry and business community in discussions led by governments and other stakeholders, and they help the industry reach consensus on policy issues. For a complete [list of organizations](#) in which we are members and to which we paid annual dues or other payments of \$10,000 or more in 2015, please see the Appendix.

Peabody has been advised that approximately \$720,000 of the annual dues and other company payments to U.S. industry groups and trade associations in 2015 were used for lobbying expenditures and/or political activities. An itemized list of U.S. industry group and trade association annual dues along with other payments used for lobbying expenditures and/or political activities for those organizations whose total annual dues and other payments were \$10,000 or more in 2015 can be found on PeabodyEnergy.com.