INTEGRITY

We act in an honest and ethical manner.

Corporate Governance

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

Board of Directors

Peabody is governed by a board of directors consisting of nine members as of March 31, 2018. Our board of directors offers experience across multiple global tier-one mining, energy, utilities, equipment and capital markets companies, and eight of the nine directors are independent. The board 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 has adopted a formal charter that describes in detail its purpose, organizational structure and responsibilities.

Corporate Governance and Compliance

The board 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.

Peabody's corporate governance program is subject to ongoing evaluation and oversight. The board of directors ensures appropriate corporate governance practices through a dotted-line reporting relationship between the board's compliance function and the board's Nominating and Corporate Governance Committee.

A list of Peabody Corporate Governance Practices and Principles is included in the Appendix.

Code of Business Conduct and Ethics

Directors, officers and employees must adhere to a Code of Business Conduct and Ethics (the Code) that is designed to foster ethical decision making, prevent corruption, avoid conflicts of interest, achieve compliance with laws and protect company assets. The Code also helps maintain Peabody's reputation as a world-class company.

Training and Communications

Peabody informs employees of the obligation to act in a responsible, ethical and constructive manner through workplace communications and training sessions. All employees are required to complete annual training and provide certification of compliance with the Code. Potential issues or concerns that could violate the Code are investigated and escalated to the board, as appropriate.

Peabody's shareholders, customers, employees and the public can communicate directly with the board of directors by submitting written comments to the Chairman, Peabody, 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. Employees who have concerns about business practices are asked to raise their concerns directly to their management, Human Resources representatives, the Chief Legal Officer, the Director and Associate General Counsel-Compliance, or to contact the company's confidential and anonymous Tell Peabody hotline. Reports to the hotline are managed by the company's Director and Associate General Counsel-Compliance who determines, in consultation with management and others, the appropriate action, including investigation. Report summaries are regularly distributed to senior management and discussed with the Nominating and Corporate Governance Committee.

Peabody continues to supplement its risk management assessment process 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. Key corporate compliance and governance information and documents are accessible on PeabodyEnergy.com.

Transparency and Disclosures

While environmental, social and governance transparency and disclosure is becoming part of a larger discussion within the financial community, Peabody has been committed to these tenets for decades.

As a global mining company, Peabody contributes substantial revenues to federal, state and local governments, and in 2017 paid more than $0.9 billion in taxes, royalties, levies and fees to governments in the U.S. and Australia. This amount includes the voluntary disclosure of payments consistent with the Extractive Industry Transparency Initiative (EITI), a global standard to promote the open and accountable management of extractive resources. Peabody is committed to transparent and accurate accounting of our payments made to governments, and the company respects and complies with all applicable laws and regulations wherever it operates.

Although the U.S. Department of the Interior made the decision in November 2017 to withdraw the U.S. as an EITI implementing country, Peabody continues to voluntarily disclose payments and to promote standards for open and accountable management of natural resources. A summary of payments to the U.S. federal government mirrors data collected by USEITI in past years, and in 2017 totaled $234.3 million. While Australia has been a supporter of EITI and announced their intention to apply for membership, it is not yet an implementing country. Peabody is nonetheless voluntarily disclosing royalty and other mining-related payments made to the New South Wales and Queensland governments, which in 2017 totaled $240.1 million. Peabody Payments Consistent with the EITI may be found in the Appendix.

Peabody ranks in the top 30th percentile for environmental disclosures and top 40th percentile for social disclosures in the energy industry according to the 2018 Institutional Shareholder Services Environmental and Social QualityScore.

Political and Lobbying Activities

When it comes to creating a sustainable energy future, fuel choices and policies matter. 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. Peabody is particularly focused on advancing the use of coal as part of a balanced energy mix, to provide abundant, reliable, low-cost electricity to help meet the world's growing demand.

Peabody political and lobbying activities are directed by the executive leadership team with oversight from the company's board of directors and are conducted in accordance with applicable law, the Code, corporate policy on political contributions and corporate policy on lobbying activities. Links to these policies may 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.

Peabody 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 or the Peabody PAC's overall business interests and not those of individual officers or directors. For the past several years, the Peabody PAC has actively worked to expand our support to candidates on both sides of the political aisle. Peabody recognizes 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, the company bases involvement on those areas of agreement that it believes 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 the board of directors annually reviews 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 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 by Peabody's Executive Vice President, Chief Legal Officer, Government Affairs and Corporate Secretary and Senior Vice President of Global Government Affairs.

In 2017, Peabody made $272,000 in U.S. corporate political contributions. An itemized list of 2017 Peabody political contributions may be found at 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, primarily from Peabody employees who meet certain eligibility requirements. By law and Peabody PAC bylaws, Peabody is 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, with the PAC Chairman appointed by Peabody's President and Chief Executive Officer, and that board approves all Peabody PAC contributions. In 2017, the Peabody PAC made $59,600 in U.S. political contributions. An itemized list of 2017 Peabody PAC contributions may be found at 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. Our reports are filed under the name of Peabody Investments Corp. 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 2017 was approximately $1.5 million, as determined using the Lobbying Disclosure Act method for reporting such expenditures.

Where required, Peabody files similar periodic reports with state agencies, reflecting state lobbying activities. Peabody filed lobbying disclosure reports in Arizona, Illinois, Indiana and Wyoming in 2017 based on each state's lobbying disclosure requirements. Unlike other states, Indiana requires that lobbyist compensation be publicly disclosed, and we reported $74,913 in expenses for fiscal year 2017. All other states we reported in had no lobbying expenses. In Missouri, the reporting requirement is the responsibility of the state official, and there were no reported expenditures for Peabody in 2017.

Industry 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. The company works 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.

A complete list of Industry Groups, Trade Associations and Other Organizations in which Peabody has membership and to which the company paid annual dues or other payments of $10,000 or more in 2017 may be found in the Appendix.

Peabody has been advised by the organizations to which it belongs that approximately $377,450 of the annual dues and other company payments to U.S. industry groups and trade associations in 2017 were used for lobbying expenditures and/or political activities, and an itemized list may be found at PeabodyEnergy.com.

Broad-Based Coalition Seeks Common Ground Technology Solutions

Peabody played a leadership role in a broad and diverse coalition that included energy industry companies, environmental groups, labor organizations and others to support a bipartisan bill that aims to reduce the costs and barriers for carbon capture, use and storage (CCUS) through deployment.

For decades, Peabody has been a leading voice in building awareness for coal as part of a balanced energy portfolio and in advocating for clean coal technologies to minimize the environmental footprint from coal use. To foster our common ground approach, we work with government, academia and other stakeholders in both the public and private spheres to promote an all-of-the-above energy strategy that advances high-efficiency, low-emissions (HELE) and CCUS technologies, both of which are needed to achieve the goal of increasingly low-carbon energy systems.

The 45Q CCUS tax credit was originally passed in 2008 and provided $10/metric ton for CO_2 used for enhanced oil recovery and $20/metric ton for CO_2 injected into saline storage. However, for many reasons including uncertainty, insufficient financial incentives and a relatively low cap of 75 million metric tons of CO_2, the initial credit did little to advance CCUS in the U.S. Although the initial passage of the tax credit was an important milestone, stakeholders knew that more would be needed.

A diverse group called the National Enhanced Oil Recovery Initiative was formed (now called the Carbon Capture Coalition) to collaborate and reach across the political aisle to advocate for improvement and expansion of the 45Q tax credit. Whether a lawmaker was interested primarily in jobs, energy security or reducing emissions, various coalition members articulated the benefits of 45Q. By the time the bill, called The FUTURE Act, reached the Senate floor, one quarter of U.S. Senators were co-sponsors. On Feb. 9, 2018, the tax credit expansion was passed into law.

Highlights of the tax credit expansion:

- $35/metric ton CO_2 for enhanced oil recovery
- $50/metric ton CO_2 for saline aquifer storage
- 12-year window for receiving tax credits
- Construction must begin by Jan. 1, 2024
- Minimum capture rate: 500,000 metric tons per year for power plants and 100,000 tons per year for industry
- Transferrable, which means that nonprofits like cooperatives can use the tax credit

Contributing to the expansion of 45Q is an example of bipartisan, multi-stakeholder success, and Peabody looks forward to continuing efforts to advance this important technology as part of our common ground approach.