

**PEABODY ENERGY CORPORATION
POLICY AND PROCEDURES WITH RESPECT TO
RELATED PERSON TRANSACTIONS**

A. Policy Statement

Peabody Energy Corporation (the “Company”) recognizes that Related Person Transactions (as defined below) should be evaluated in order to determine whether they are consistent with the best interests of the Company and its stockholders. It is the Company’s policy to enter into or ratify Related Person Transactions only when the Board of Directors, acting through the Nominating & Corporate Governance Committee or as otherwise described herein, determines that the Related Person Transaction in question is in the best interests of the Company and its stockholders. This includes, but is not limited to, situations where the Company may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when the Company provides products or services to Related Persons (as defined below) on an arm’s length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided to employees generally.

The Company has adopted the procedures set forth below for the review, approval or ratification of Related Person Transactions. These procedures shall not apply to the approval of employment contracts and related employment matters, which are the responsibility of the Compensation Committee. This policy will be administered by the Nominating & Corporate Governance Committee of our Board of Directors (the “Committee”). The Committee will review and may amend this policy from time to time.

B. Related Person Transactions

For the purposes of this policy, a “Related Person Transaction” is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which the Company (including any of its subsidiaries) was, is or will be a participant, and in which any Related Person had, has or will have a direct or indirect interest.

For purposes of this Policy, a “Related Person” means: (a) any person who is, or at any time since the beginning of the Company’s last fiscal year was, a director or executive officer of the Company or a nominee to become a director of the Company; (b) any person who is known to be the beneficial owner of more than 5% of any class of the Company’s voting securities; (c) any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of the director, executive officer, nominee or more than 5% beneficial owner, and any person (other than a tenant or employee) sharing the household of such director, executive officer, nominee or more than 5% beneficial owner; and (d) any firm, corporation or other entity in which any of the foregoing persons is employed or is a partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest.

C. Identification of Related Persons

Directors, Executive Officers and Nominees. At least annually and otherwise as requested, each director and executive officer shall submit to the Company's Law Department such information regarding his or her immediate family members (as defined above) as the Committee deems necessary to administer this policy. The Law Department shall also request and gather such information from any new director nominee and any person appointed as a director or an executive officer. Each director and executive officer is expected to notify the Law Department immediately upon becoming aware of any proposed Related Person Transaction, including those involving his or her immediate family members.

Five Percent Owners. At the time the Company becomes aware of a person's status as a beneficial owner of more than 5% of any class of the Company's voting securities, the Law Department, by examining SEC filings and review of applicable websites, shall (to the extent the information is readily available) compile such information regarding the 5% holder and its Related Persons as the Committee deems necessary to administer this policy. Thereafter, the Law Department shall update such information from time to time, as appropriate.

D. Dissemination of Related Person Master List

The Law Department shall compile the information collected pursuant to the procedures described above and provide appropriate summaries to the Chief Executive Officer, Chief Financial Officer and Chief Legal Officer, who shall utilize the information contained therein, in connection with their respective areas of responsibility, to effectuate this policy.

E. Approval Procedures

Related Person Transactions that are identified as such prior to the consummation thereof or amendment thereto shall be consummated or amended only if the following steps are taken:

1. Prior to entering into a Related Person Transaction (a) the Related Person, (b) the director, executive officer, nominee or beneficial owner who is an immediate family member of the Related Person, or (c) the business unit or function/department leader responsible for the potential Related Person Transaction shall provide notice to the Law Department of the facts and circumstances of the proposed Related Person Transaction, including an assessment of whether the proposed Related Person Transaction is on terms that are comparable to the terms available to an unrelated third party or to employees generally. The Law Department will consult with appropriate Company management personnel to assess whether the proposed transaction is a Related Person Transaction for purposes of this policy.

2. If the Law Department determines that the proposed transaction is a Related Person Transaction, the proposed transaction shall be submitted to the Committee for consideration at the next Committee meeting or, in those instances in which the Law Department, in consultation with the Chief Executive Officer or the Chief Financial Officer, determines that it is not practicable or desirable for the Company to wait until the next Committee meeting, to the Chair of the Committee (who will possess delegated authority to act between Committee meetings).

3. The Committee, or where submitted to the Chair, the Chair, shall consider all of the relevant facts and circumstances available to the Committee or the Chair, including (if applicable) but not limited to: the benefits to the Company; the impact on a director's independence in the event the Related Person is a director, an immediately family member of a director or an entity in which a director is a partner, shareholder or executive officer; the availability of other sources for comparable products or services; the terms of the transaction; and the terms available to unrelated third parties or to employees generally. No member of the Committee shall participate in any review, consideration or approval of any Related Person Transaction with respect to which such member or any of his or her immediate family members is the Related Person. The Committee (or the Chair) shall approve only those Related Person Transactions that are in, or are not inconsistent with, the best interests of the Company and its stockholders, as the Committee (or the Chair) determines in good faith. The Chair of the Committee shall report to the Committee at the next Committee meeting any approval under this policy pursuant to delegated authority.

F. Ratification Procedures

In the event the Company's Chief Executive Officer, Chief Financial Officer or Chief Legal Officer becomes aware of a Related Person Transaction that has not been previously approved or previously ratified under this policy:

1. If the transaction is pending or ongoing, it will be submitted to the Committee or Chair of the Committee promptly, and the Committee or Chair shall consider all of the relevant facts and circumstances available to the Committee or the Chair, as described in E.3 above. Based on the conclusions reached, the Committee or the Chair shall evaluate all options, including but not limited to ratification, amendment or termination of the Related Person Transaction; and

2. If the transaction is completed, the Committee or Chair of the Committee shall evaluate the transaction, taking into account the same factors described above, to determine if rescission of the transaction and/or any disciplinary action is appropriate, and shall request that the Chief Legal Officer evaluate the Company's controls and procedures to ascertain the reason the transaction was not submitted to the Committee or Chair for prior approval and whether any changes to these procedures are recommended.

G. Disclosure

All Related Person Transactions that are required to be disclosed in the Company's filings with the Securities and Exchange Commission, as required by the Securities Act of 1933 and the Securities Exchange Act of 1934 and related rules and regulations, shall be so disclosed in accordance with such laws, rules and regulations.