

## OUR GOVERNANCE APPROACH

Our governance approach provides the framework for how we drive performance and reaches far beyond what we are required to do – to what is right to do. Integrity is a value embedded in our corporate culture and facilitates ethical decision making, allows us to build trust among stakeholders and supports stability within the business.

Our **Code of Business Conduct and Ethics** guides policies and procedures that in turn shape how we work. These policies and procedures support compliance with local, state, federal and national laws and regulations, including securities requirements to promote the best interest of the enterprise and enhance our reputation as a world-class responsible mining company.

In addition, key governance practices are outlined in our **Corporate Governance Guidelines**. Our practices include an independent non-executive chairman, annual election of all directors, majority voting in director elections, annual board and committee evaluations, independent board committees, annual “Say-on-Pay” advisory voting, proxy access rights and robust stock ownership guidelines, among others. In addition, our executive compensation program is consistent with best practices, aligns management with shareholders, and incorporates safety and environmental reclamation metrics.

Our approach to corporate governance also focuses on identifying, managing and mitigating risk. Our board of directors oversees an enterprise-wide

assessment of risks to appropriately manage and achieve organizational objectives to drive long-term shareholder value.

At Peabody, we routinely engage in open and constructive dialogue with shareholders, governments and industry groups. We believe it is essential for us to participate constructively in the political process and provide recommendations to policymakers on global energy, environmental and economic matters.

Peabody seeks areas of alignment, utilizing a ‘common ground’ approach that advances the use of coal as part of a balanced energy mix, while working to achieve environmental goals through the use of technology.



### Board of Directors

Peabody is governed by a board of directors that offers experience across multiple global tier-one mining, energy, utilities, equipment and capital markets companies, and nine of the ten directors are independent.

Each board member serves on one or more of five standing committees: Audit; Compensation; Executive; Health, Safety, Security and Environmental; and Nominating and Corporate Governance. Each committee has adopted a formal charter that describes in detail its purpose, organizational structure and responsibilities. The board conducts an annual self-evaluation to determine whether it and its committees are functioning effectively.

Committee charters for Peabody’s Board of Directors can be found at [PeabodyEnergy.com](http://PeabodyEnergy.com)

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 ethics and compliance and safety programs are subject to ongoing evaluation and oversight. The board of directors ensures appropriate corporate governance practices through a dotted-line reporting relationship between management’s ethics and compliance function and the board’s Nominating and Corporate Governance Committee.



### ANDREA BERTONE JOINS BOARD OF DIRECTORS

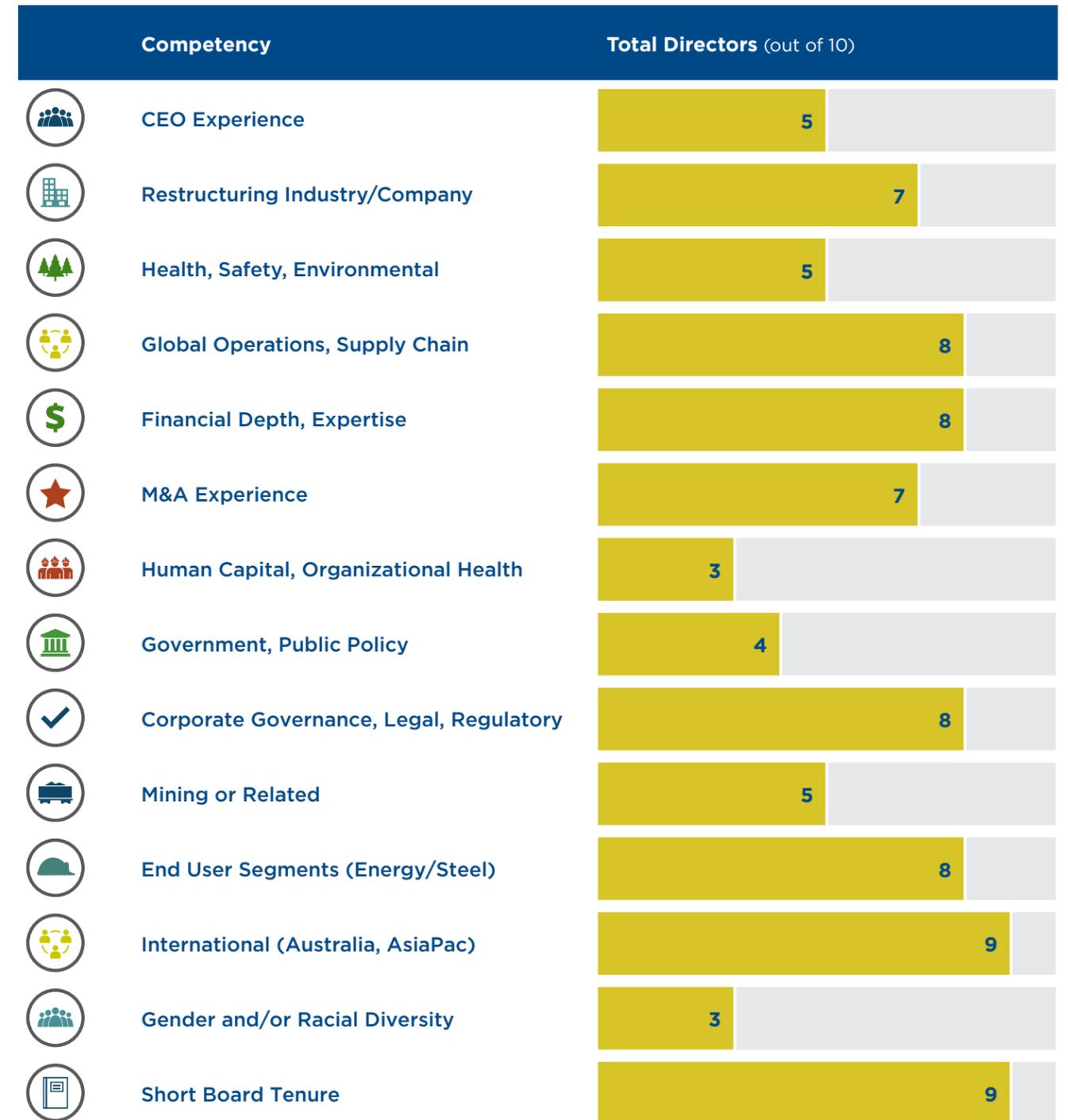
Peabody is committed to selecting directors who possess a diversity of experience, knowledge and skills to effectively advise management on strategy, monitor our performance and serve the best interest of the company and our shareholders.

In February 2019, Peabody appointed Andrea Bertone to the company’s board of directors. Andrea is the former President of Duke Energy International, where she had executive responsibility for coal, oil and gas as well as hydro assets across a number of countries. She brings to our board extensive experience both in operations and in the energy industry.

Prior to her time at Duke Energy, where she spent 15 years, Andrea was Latin American counsel with Baker & McKenzie. She began her career as an attorney in São Paulo, Brazil.

### Director Skills

The following table shows our directors’ specific skills and knowledge that the Nominating and Corporate Governance Committee and board relied upon when determining whether to nominate the individual for election. A particular nominee may possess other valuable skills, knowledge or experience even though they are not indicated below.



## LEARNINGS FROM NORTH GOONYELLA

The fire at our North Goonyella Mine in the third quarter of 2018 was a serious incident for our company, and as part of our commitment to corporate accountability, we have released initial learnings based on the company’s comprehensive review of the events.

As a result of the review, we are making changes in systems, processes and training, where warranted, to put into place the improvements needed to successfully move forward from this incident. We will also be contacting other coal companies and industry bodies to further share learnings to strengthen the body of knowledge around underground mine ventilation and fire prevention.

### Discussion of Key Initial Learnings

- A.** Peabody will review ventilation controls and design used during the longwall “take-off” process to minimize the amount of air that enters the longwall panel goaf and interacts with exposed coal remaining within the goaf. Ventilation controls that were put into place in advance of the longwall take-off process may have permitted higher-than-expected volumes of ventilation air to enter the goaf during the longwall take-off process, resulting in oxidation. Gas management and ventilation changes were made in and around the 9 North panel tailgate area in response to elevated levels of methane, which inadvertently intensified the oxidation.
- B.** Evaluate decision-making processes to address the challenges of remotely managing an underground incident solely from the surface, which can lead to unclear or ambiguous results.

For instance, as the incident approached late September and treatment of the oxidation event escalated, including injection of nitrogen from the mine surface into the 9 North panel goaf, fluctuating gas readings led North Goonyella mine personnel and expert third-parties to believe that the treatment plan was likely working due to a purging of gases from the goaf.

- C.** Peabody also believes that the system used to monitor and analyze available mine gas data can be improved and better coordinated to identify early stages of oxidation events. Additional training to the appropriate mine personnel will be implemented to recognize fire gas indicators, gas management and spontaneous combustion, and provide an understanding of a mine’s ventilation history, with focus on identifying ventilation trends and key indicators of oxidation and developing heating for longwall mines.
- D.** Peabody will modify the longwall removal planning process to reduce the number of days to complete the longwall take-off process to allow for earlier commencement of final sealing, incorporating additional contingency planning in the event the target cannot be achieved. The amount of time the North Goonyella mine’s 9 North panel was idle increased the propensity for oxidation to occur in the longwall panel goaf. Peabody will consider additional contingency



**Target #1**  
Achieve a safe return to operations at the North Goonyella Mine.

measures, including installation of pre-drilled holes at the appropriate locations immediately behind the longwall chock line to allow oxygen inhibitors to be injected when longwall advance stops to mitigate against oxidation.

- E.** Peabody will improve the Sealing Management Plan to provide greater clarity around the required steps for sealing the longwall panel (particularly in relation to how these steps interact and relate to the longwall move and re-installation plan). The improved plan will provide for the allocation of resources to ensure the Sealing Management Plan is followed as described. Peabody will also provide additional training for underground personnel prior to sealing operations commencing.
- F.** Peabody will hone its system for the management of Trigger Actions Response Plans (TARPs) to provide clearly defined trigger points, clear explanations of actions to be taken if trigger levels are reached, and improved methods, training and communications involving changing TARPs. Application and progression of TARPs during the longwall take-off process varied from that set out in the Sealing Management Plan, and communication of TARPs was found to be inconsistent. TARPs describe actions that must be taken by mine personnel in response to observation of certain conditions or triggers (e.g. gas levels) that deviate from normal. TARPs should clearly define their applicability and the required action items when trigger points are reached.
- G.** Peabody will review the Principal Hazard Management Plan (PHMP) for Spontaneous Combustion and Emergency Response around the provision of clear and concise guidance in relation to gas readings. The company will also implement a regime for reviewing the PHMP at established intervals and updating as required.
- H.** Within the Site Incident Management Team (SIMT), Peabody will appoint an independent facilitator whose role will be to assist the SIMT in the decision-making process (rather than the technical aspects of SIMT decisions). The SIMT was comprised primarily of North Goonyella mine management personnel, though various other parties also provided input into the SIMT’s decision making process. At times, it was challenging for the SIMT to coordinate and address differing viewpoints from multiple stakeholders. Although these outside parties each play critical roles in responding to a mine emergency, the varied viewpoints need to be effectively managed and facilitated during an incident.
- I.** Peabody is taking action to install quickly closable remote ventilation control devices at each mine drift as we progress through the reventilation process. In addition, Peabody will evaluate options to remotely isolate portions of the longwall panel to provide an option to quickly close these devices after all personnel have been evacuated from the panel. Peabody’s ability to quickly seal the panel to extinguish the oxidation event before it developed into a fire was impaired once the mine was evacuated and exclusion zones were put in place. Once an oxidation event develops into a spontaneous combustion event, it is difficult to extinguish from the mine surface. The smaller the area of the mine that is sealed from the source of combustion, the less oxygen is available to support it and the quicker it begins to cool, which should facilitate expeditious recovery. These types of devices could be closed by personnel as part of an evacuation sequence, or through remote means. Emergency seals, which can be installed at chute and gate roads at longwall panels, will also be considered as part of an emergency sealing process.

### Risk Management

At Peabody, we believe it is fundamental to understand the risks we face, how those risks may evolve over time, and what steps we can take to manage and mitigate those risks relative to our risk tolerance.

Peabody has integrated an Enterprise Risk Management (ERM) process at all levels of the organization. We have developed a standard framework for evaluating risk consequences and likelihood to ensure consistent application and appropriate escalation across the platform.

Our Australian and U.S. business units as well as each corporate function evaluate the risks specific to their respective area. Each function develops escalation and action plans for these risks, then monitors changes over time and documents results on area-specific risk registers.

The findings from each area are reported to our ERM Committee, which evaluates the completeness of assessments and the adequacy of action plans and ensures consistency with public disclosures.

### Employee Responsibility

Peabody informs employees of their obligation to act in a responsible, ethical and constructive manner through workplace communications, online tools and in-person training sessions. Employees are encouraged to report concerns of misconduct directly to their managers, 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.

### Extractive Industry Transparency Initiative

As a global mining company, Peabody contributes substantial revenues to federal, state and local governments. In 2018, Peabody paid more than \$800 million in taxes, royalties and levies 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. We are 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 we operate.

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 U.S. EITI in past years, and in 2018 totaled \$222.6 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 2018 totaled \$272.7 million.

### Political and Lobbying Activities

In 2018, Peabody made \$698,600 in U.S. corporate political contributions. In addition, \$114,000 in political contributions were made by the Peabody’s Political Action Committee (Peabody PAC), a nonpartisan political fund that provides financial support to candidates and is funded entirely through voluntary contributions, primarily from Peabody employees who meet certain eligibility requirements.

Peabody’s total U.S. federal lobbying expense for 2018 was approximately \$1.65 million, as determined using the Lobbying Disclosure Act method for reporting such expenditures.

### Peabody Payments to Governments in U.S. and Australia Consistent with the Extractive Industries Transparency Initiative (EITI)

#### 2018 Summary of Payments to U.S. Federal Government (unaudited)

Department of the Interior - Office of Natural Resources Revenue	
Royalties	\$179,762,165
Bonus	\$479,716
Rents	\$159,744
Department of the Interior - Office of Surface Mining Reclamation and Enforcement	
Abandoned Mine Land Fees	\$42,198,405
Department of the Interior - Bureau of Land Management	
Permit Fees	\$25,385
<b>Total U.S.</b>	<b>\$222,625,146</b>

#### 2018 Summary of Payments to Queensland and New South Wales Governments In \$US (unaudited)

Royalties	\$265,103,875
Mine Safety and Health Levies	\$2,920,230
Rent and Administrative Levies	\$3,113,510
Environmental Fees	\$1,544,377
<b>Total Queensland and New South Wales</b>	<b>\$272,681,992</b>

\*Payments do not include Middlemount JV or Shoal Creek. CMJV included at 100%.

Peabody political contributions, 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.

Peabody publicly reports U.S. federal lobbying expenses on a quarterly basis, including the issues lobbied. 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. Peabody filed lobbying disclosure reports in Arizona, Illinois, Indiana and Wyoming in 2018 based on each state’s lobbying disclosure requirements. Unlike other states, Indiana requires that lobbyist compensation be publicly disclosed, and we reported \$60,320 in expenses for fiscal year 2018. In Missouri, Peabody had \$104 of reported expenditures for 2018. Expenditures for Arizona totaled \$465 in 2018. Illinois had no lobbying expenses.

**Target #12**

Engage with governments, academia, communities and other stakeholders to support constructive and informed dialogue.

**Industry Groups, Trade Associations and Other Organizations**

Peabody is a member of numerous industry groups and trade associations as well as nonprofit organizations that represent the mining industry and business community in discussions led by governments and other stakeholders and help the industry reach consensus on policy issues.

Peabody has been advised by the organizations to which it belongs that approximately \$327,010 of the annual dues and other company payments to U.S. industry groups and trade associations in 2018 were used for lobbying expenditures and/or political activities.

**Oversight of Political and Lobbying Activities**

For the past several years, Peabody 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.

Peabody political and lobbying activities are directed by members of the executive leadership team with oversight

from the company’s board of directors and are conducted in accordance with applicable law and corporate policies as well as our Code of Business Conduct.

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.

**Stakeholder Engagement**

As part of our commitment to transparency and disclosure, we encourage ongoing communication with our stakeholders, including investors, employees, customers, suppliers, governments and industry groups. We seek to strengthen our relationship with these stakeholders through discussions around topics such as our business strategy and priorities, operational updates and our holistic approach to ESG, including executive compensation, among other topics.

Peabody’s stakeholders 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.

**ENDNOTES**

- 1 International Energy Agency Coal Outlook 2018, table 1.1.
- 2 International Energy Agency 2018 World Energy Outlook, page 528; 2018 BP Statistical Review data tables.
- 3 International Energy Agency 2018 World Energy Outlook, page 528.
- 4 IHS Markit, Houston Energy Briefing, slide 68.
- 5 Platts World Electric Powerplant Database.
- 6 Energy Information Administration.
- 7 Woodmac 2019 Polar Vortex Performance Review, page 24.
- 8 International Energy Agency Coal Outlook 2018, table A4.
- 9 World Coal Association Proof Points, January 2019, page 2.
- 10 United Nation’s Human Development Index.
- 11 Center for Energy Policy and the Environment at the Manhattan Institute: Not Beyond Coal, How the Global Thirst for Low-Cost Electricity Continues Driving Coal Demand, page 9.
- 12 Center for Energy Policy and the Environment at the Manhattan Institute: Not Beyond Coal, How the Global Thirst for Low-Cost Electricity Continues Driving Coal Demand, page 3.
- 13 International Energy Agency 2018 World Energy Outlook, page 86.
- 14 World Health Organization: <https://www.who.int/news-room/fact-sheets/detail/household-air-pollution-and-health>.
- 15 Gradient Study, 2014. Literature based Analysis of the Relative Airborne Exposure Impacts of Emissions from Coal fueled Power Plants versus Traditional Household Solid Fuel Combustion, page 9.
- 16 U.S. Energy Information Administration, Electric Power Monthly, February 2017; U.S. Environmental Protection Agency, National Air Pollutant Emission Trends & Air Market Program Database.
- 17 World Coal Association Proof Points, January 2019, page 7.
- 18 Wood Mackenzie: Outlook and Benefits of an Efficient U.S. Coal Fleet, page 5.
- 19 UNFCCC: <https://www4.unfccc.int/sites/submissions/indc/Submission%20Pages/submissions.aspx>.
- 20 IPCC, 5th Assessment Report, 2014; Included in WCA Proof Points, January 2019, page 9.
- 21 International Energy Agency analysis 2018; Included in WCA proof points, January 2019, page 10.
- 22 Estimated Use of Water in the U.S. in 2015, U.S. Geological Survey, Circular: 1441, Page 39.
- 23 <http://www.arq.com/news/>
- 24 <https://coal21.com/achievements/>
- 25 U.S. Department of Labor, Bureau of Labor Statistics, Injuries, Illnesses and Fatalities, Table 1: Incidence rates of nonfatal occupational injuries and illnesses by industry and case types, 2017.
- 26 Queensland Mines and Quarries Safety Performance and Health Report 2017-2018 Lost Time Injuries (LTI) frequency rate, 2017-2018: 3.2. New South Wales Department of Planning and Environment. Mine Safety Performance Report 2015-2016, LTIFR 2016-2016: 4.00.
- 27 CEO Action for Diversity & Inclusion, <https://www.ceoaction.com/>
- 28 Girls Inc. of St. Louis, <https://www.girlsincstl.org/about>
- 29 CEOs Against Cancer, Missouri Chapter; <https://www.ceosagaincancerstl.org/missouri-chapter>

For additional details on [Peabody’s 2018 political contributions, PAC contributions, lobbying activities and industry groups and trade associations](#), please visit [PeabodyEnergy.com](#). Peabody’s [Corporate Policy on Political Contributions](#) and [Corporate Policy on Lobbying Activities](#) can also be found on our website.