

# 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. Peabody employees understand the importance of following this value while staying true to the company's mission, which emphasizes our focus on creating superior value to enable economic prosperity and a better quality of life.

### Board of Directors

Peabody is governed by a board of directors consisting of nine members as of April 3, 2017. Eight members of the board 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

Peabody's corporate governance program is robust, extensive and subject to ongoing evaluation and oversight. The board of directors ensures sound corporate governance practices and promotes the best interests of the enterprise with the compliance function having a dotted-line reporting relationship with the board's Nominating Committee.

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.

A complete list of Peabody's [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 that is designed to foster a culture of ethical decision making, prevent corruption, avoid conflicts of interest, achieve compliance with laws and protect 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 employees are required to complete annual training and provide certification of compliance with the Code. Potential issues or concerns that could violate the company's Code are investigated and escalated to the board, as appropriate.

### 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, Peabody Plaza, 701 Market Street, St. Louis, Missouri, 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 Chief Legal Officer, the Assistant General Counsel Compliance & Data Privacy or to contact the company's Tell Peabody hotline. Reports to the hotline are managed by the company's Assistant General Counsel Compliance & Data Privacy 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. Peabody ensures that key corporate compliance and governance information and documents are accessible on PeabodyEnergy.com.

### 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 electricity to help meet the world's growing demand.

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 percent of global energy,<sup>1</sup> and fossil fuel use is expected to play a significant role in coming years.<sup>2</sup> 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.

Peabody has been an industry leader in promoting the advancement of CCUS technology. We are active members of both the Carbon Utilization Research Council and the National Enhanced Oil Recovery Initiative. These organizations are working together to lay the groundwork for a CCUS future in the U.S. and throughout the world.

<sup>1</sup> International Energy Agency, *World Energy Outlook 2016*.

<sup>2</sup> Wood Mackenzie, "Energy View to 2035," March 2017.

## Energy Security through Enhanced Oil Recovery

The National Enhanced Oil Recovery Initiative (NEORI) was launched in 2011 to help realize the economic, environmental and national energy security benefits achieved by increasing enhanced oil recovery production by using captured carbon dioxide (CO<sub>2</sub>). NEORI involves a unique and bipartisan coalition of leaders and representatives from government, industry, environment and labor, and Peabody is a leader in this effort.

The organization has released recommendations to boost domestic oil production and reduce CO<sub>2</sub> emissions through the expanded use of enhanced oil recovery. In 2014, the Expanding Carbon Capture through Enhanced Oil Recovery Act was introduced, calling for the expansion and reform of an existing federal tax incentive that would, according to NEORI's analysis, increase U.S. oil production from enhanced oil recovery by billions of barrels over time, while storing billions of tons of CO<sub>2</sub> from man-made sources underground. The program could pay for itself within 10 years through increased federal revenues generated by boosting domestic oil production, with an estimated net return of \$100 billion over 40 years. The improved incentive would also reduce the trade deficit by saving the U.S. billions in expenditures on imported oil over the same period.<sup>3</sup>

In 2016, NEORI's efforts on Capitol Hill lead to the introduction of bipartisan bills in both the House and the Senate that demonstrated expanded support for carbon capture in Congress. Peabody continues as a leader in growing awareness and support for carbon capture in Washington D.C. and beyond.

## U.S. Environmental Protection Agency's 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 the energy mix.

Emissions progress for coal begins with deployment of HELE power stations using technology that is available today. Longer-term investments in next-generation 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.

In the U.S., the Clean Power Plan was first proposed by the Environmental Protection Agency (EPA) under the former President Obama administration in June 2014 and was formally published in the Federal Register in October 2015. It is a policy focused on setting limits on CO<sub>2</sub> emissions produced from existing power plants, with an agenda to reduce coal-fueled power at a time when coal is used to generate electricity in 48 states.<sup>4</sup>

Peabody believes the Clean Power Plan is fundamentally flawed on legal, policy and practical grounds. Swiftly after the EPA announced the final rule, Peabody joined an extensive coalition of industry participants and attorneys general from dozens of states to challenge the legality of the regulations. In February 2016, the U.S. Supreme Court voted to temporarily halt implementation of the EPA's Clean Power Plan while the U.S. Court of Appeals for the District of Columbia continues to review the rule's legality. In September 2016, the U.S. Court of Appeals District of Columbia Circuit began to hear arguments.

<sup>3</sup> NEORI.org. Web. 17 March 2017.

<sup>4</sup> U.S. Energy Information Administration, *Electric Power Monthly*, February 2017.

In March 2017, President Trump issued an executive order promoting energy independence and economic growth. The order requires the EPA to immediately review the final rules of the Clean Power Plan, and if appropriate, take lawful action to suspend, revise or rescind the rule.<sup>5</sup>

The court and President Trump's actions counter implementation of onerous rules that would raise U.S. power costs and damage reliability of the electric grid with no significant environmental benefit. Peabody has advocated use of technology to lower greenhouse gas emissions for nearly two decades, while investing hundreds of millions of dollars in clean coal technologies. We applaud the Supreme Court and President Trump's unprecedented decisions to protect affordable energy for families and businesses across the U.S. who value reliability and diversity of fuel supply.

## Political and Lobbying Activities

Peabody's political and lobbying activities are directed by our executive leadership team with oversight from the company's board of directors and are 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](http://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'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 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 2016, Peabody made \$172,275 in U.S. corporate political contributions. An itemized list of the 2016 Peabody political contributions can be found on [PeabodyEnergy.com](http://PeabodyEnergy.com).

<sup>5</sup> "Promoting Energy Independence and Economic Growth," The White House, Office of the Press Secretary. Executive Order, March 2017.

## 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 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 appointed by Peabody's Chief Executive Officer, and that board approves all Peabody PAC contributions. In 2016 the Peabody PAC made \$44,500 in U.S. political contributions. An itemized list of the 2016 Peabody PAC contributions can be found on [PeabodyEnergy.com](http://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](http://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 2016 was approximately \$1.3 million, as determined using the Lobbying Disclosure Act method for reporting such expenditures.

Peabody filed lobbying disclosure reports in Arizona, Illinois, Indiana, Kentucky and Wyoming in 2016 based on each state's lobbying disclosure requirements. Unlike other states, Indiana and Kentucky require that lobbyist compensation be publicly reported, and therefore the amount reported is much larger than states that do not have this requirement. We reported \$50,722.07 in lobbying expenses for fiscal year 2016 in Indiana and \$18,364.60 in lobbying expenses in Kentucky for calendar year 2016. 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 2016.

## 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. 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.

In the Appendix section titled [Industry Groups, Trade Associations and Other Organizations](#), a complete list of organizations in which we have membership and to which we paid annual dues or other payments of \$10,000 or more in 2016 may be found.

Peabody has been advised by the organizations to which we belong that approximately \$432,485 of the annual dues and other company payments to U.S. industry groups and trade associations in 2016 were used for lobbying expenditures and/or political activities, and an itemized list can be found on [PeabodyEnergy.com](http://PeabodyEnergy.com).

## Revenue Transparency

The U.S. Extractive Industries Transparency Initiative (USEITI) is an international standard that promotes open and accountable management of natural resources. Peabody is committed to transparent and accurate accounting of our payments made to various governments. We respect and comply with all applicable laws and regulations wherever we operate, and we voluntarily participate in the USEITI.

In 2016, the USEITI released its second annual report that conveys where participating companies and governments publicly disclose revenues paid and received from extractive company resources. The report provides a benchmark for good governance and a valuable means of showing the importance of extractive industries to national, state and local community economies. The 2016 USEITI report may be viewed in its entirety at [doi.gov/eiti](http://doi.gov/eiti).

Peabody is a strong supporter of the USEITI. We have worked closely with government, civil society and our industry partners in the USEITI multi-stakeholder group since it was established as a federal advisory committee in 2012, and several of our employees have been appointed by the U.S. Secretary of Interior as a primary member of the committee. Through our participation we provide guidance on the tasks required to achieve EITI compliant status and validation.