Peabody

2016 Corporate and Social Responsibility Report

THE NEW BTU

SAFETY

CUSTOMER FOCUS

LEADERSHIP

PEOPLE

EXCELLENCE

INTEGRITY

SUSTAINABILITY

PEABODY REPORTING PROCESS

Management believes that a collection of external communications vehicles, including environmental regulatory filings and public notices, U.S. Securities and Exchange Commission filings, the company website, publications and the Corporate and Social Responsibility Report give stakeholders a full portrayal of the company's commitments and progress.

Peabody's Corporate and Social Responsibility Report provides information regarding responsibilities that, by design, are not as thoroughly discussed in other communications vehicles.

In compiling this report, Peabody reviewed Global Reporting Initiative guidelines and focused on six specific indicators covering water and waste reporting.

This report is reviewed by the company's executive team who commit to advancing best practices in corporate and social responsibility.

All figures in this report are stated in U.S. dollars unless otherwise noted.

SAFETY

CUSTOMER FOCUS

LEADERSHIP

PEOPLE

EXCELLENCE

INTEGRITY

SUSTAINABILITY

TABLE OF CONTENTS

SAFETY

CUSTOMER FOCUS

LEADERSHIP

PEOPLE

EXCELLENCE

INTEGRITY

SUSTAINABILITY

2016 RESULTS

During the past year, Peabody:

- Achieved the safest year in company history with a 1.22 total global reportable injury frequency rate per 200,000 hours worked, a 2 percent improvement versus 2015, a year that also set a company record. Since 2012, our incidence rate has improved 35 percent.
- Became the first company in the industry to achieve independent certification under the U.S. National Mining Association's CORESafety® system.
- Created $9.7 billion in direct and indirect economic benefits globally.
- Restored 6,450 acres of mined lands into rangeland, wildlife habitat, hardwood forests, prime farmland and wetlands, reclaiming approximately 80 percent more land than was disturbed. The company also planted 752,635 trees, 70 percent more than the prior year.
- Recycled and reused 37,800,801 kilograms of material including batteries, steel, used oil filters, used oil, lighting products, computers and electronics, antifreeze, small vehicle tires and paper waste. In addition, 2,159,084 kilograms of material was beneficially used for energy recovery.
- Recycled and reused 30,816 megaliters of water, approximately 72 percent of total water withdrawn.
- Continued reductions in total greenhouse gas emissions across global operations, with greenhouse gas intensity declining from 9.9 to 9.8 CO_2e per unit from 2015 to 2016 and improving 21 percent over the past five years.
- Contributed more than $1.2 million in philanthropic funding and scholarships, directed primarily in and near the areas in which the company operates.
- Received the 2016 Best ESG – Responsible Mining Company – Global Award from Capital Finance International, which recognizes excellence in environmental, social and governance standards and performance.

LETTER FROM PRESIDENT AND CHIEF EXECUTIVE OFFICER

May 2017

To Our Stakeholders:

Glenn Kellow
President and
Chief Executive Officer

Against a highly challenging backdrop in 2016, Peabody's 6,700 employees continued to supply affordable, reliable coal that fuels electricity generation around the world and provides the essential building blocks of steel for vibrant and growing communities. This past year, we also continued to be a leading voice in advocating for sustainable mining, energy access and clean coal technologies – what we call "Coal Done Right."

At Peabody, we strive to live our mission and abide by our values, which are core to our character as individual employees and guide our daily actions and business decisions. I like to think that Peabody has the best team in the industry, one that steadfastly drives toward continuous improvement in safety, productivity, costs, coal mine restoration, strengthening our financial position and shaping our portfolio.

2016 marked notable achievements for Peabody, as we recorded the safest year in our company's history, received recognition as the first company to receive independent certification under the U.S. National Mining Association's CORESafety® system and were honored with an international award as the most responsible global mining company by Capital Finance International. We accelerated land restoration with 6,450 acres of mined lands reclaimed, continued improvement in reduction of greenhouse gas emissions and generated $9.7 billion in direct and indirect economic benefits in the communities where we operate.

Last year also marked the height of unparalleled challenges and an extended downturn for the coal industry and, in April 2016, Peabody sought protection under Chapter 11 of the U.S. Bankruptcy Code. While we recognize that the Chapter 11 process was challenging for a number of stakeholders, our team worked diligently to reach many important milestones that resulted in successful emergence on April 3, 2017, less than one year after filing. During this time, Peabody continued to mine coal safely, served global coal customers, secured third-party land bonding assurances and minimized impacts to employees and communities. Ultimately, we carried 20 of 20 voting classes for our plan of reorganization and obtained 93 percent approval. As we emerged, we arranged for all employees to be granted restricted stock units in the new company to further align us all toward a shared future and a stronger Peabody.

Together, we are eager to advance the next phase in Peabody's 134-year history as "The New BTU," to further distinguish Peabody as a values-driven organization, reliant upon each individual in our outstanding workforce to demonstrate excellence in not only what we do, but how we do it.

We recognize that our role as the world's largest private-sector coal company brings enormous benefits to stakeholders and also carries forward great responsibility. We greatly appreciate the support of the many groups who help make Peabody successful, and we look forward to accomplishing our goals in a way that can make each of you proud in 2017. This is the Peabody Way. It is Coal Done Right.

Glenn Kellow

OUR MISSION AND VALUES

Corporate and social responsibility has always been an integral part of Peabody's best-in-class operating model. Our 2016 Corporate and Social Responsibility Report builds upon this commitment and has been anchored around our core values: Safety, Customer Focus, Leadership, People, Excellence, Integrity and Sustainability.

Within each value, the company has defined key drivers that reflect who we are, how we work, what we believe, and why what we do matters in the world. These values are more than words, and they remind us of the importance of our work.

Our Mission

Our mission is to create superior value 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.

- Safety is Peabody's first value and is integrated into all areas of our business.
- Our goal is to achieve incident-free workplaces with no injuries, equipment accidents or near hits.
- Peabody has an extensive Safety and Health management system that applies to our employees, contractors, visitors and vendors at our sites, and to any location where an employee is engaged in work activities. Our Safety a Way of Life management system aligns to the U.S. National Mining Association's CORESafety® framework, and we conduct internal reviews and external assurance audits against that system.
- We cooperate with government agencies around the world to advance safety technologies and best practices toward our vision of zero safety incidents of any kind.

Customer Focus: We provide customers with quality products and excellent service.

- We deliver the unmatched insights and expertise of one of the most experienced coal sales, trading and marketing teams in the industry.
- We deliver a one-stop sales, trading and transportation network around the clock, and around the world.
- We partner with customers to meet their needs in an effective and timely manner.

Leadership: We have the courage to lead and do so through inspiration, innovation, collaboration and execution.

- Peabody is a leading voice in building awareness and support to increase access to low-cost electricity and continuously improve emissions through advanced clean coal technologies.
- We engage with governments, academia, communities and other stakeholders to support constructive and informed dialogue.
- We expect our leaders to inspire others, encourage innovation, collaborate and drive for results.

People: We offer an inclusive work environment and engage, recognize and develop employees.

- Peabody seeks an empowered and collaborative workplace built upon a foundation of mutual trust and respect, and commits to keeping our employees informed through open and transparent communication.
- The company's global inclusion and diversity vision is to maintain a global workforce comprised of varied backgrounds, while recognizing the power of inclusion and diversity as a competitive advantage to deliver exceptional results.
- Peabody invests in its employees through health and wellness programs, competitive compensation packages and professional development opportunities.

Excellence: We are accountable for our own success. We operate cost-competitive mines by applying continuous improvement and technology-driven solutions.

- The company is committed to a process-driven analysis and initiative to reduce mining costs and increase productivity.
- We operate with an eye toward streamlining and consolidating corporate functions while increasing administrative efficiencies.
- Our Safety Innovation Awards recognize the inventiveness, creativity and achievement of the workforce, and we foster the sharing of best practices across the company and industry.

Integrity: We act in an honest and ethical manner.

- Peabody is committed to complying with all laws and regulations in our business transactions.
- Peabody will carefully review its business practices, policies, safety standards and culture in order to continue staying true to our corporate values.
- The board of directors works to ensure sound business judgment and corporate governance practices are regularly implemented and followed, and strives to promote the best interests of the enterprise.

Sustainability: We take responsibility for the environment, benefit our communities and restore the land for generations that follow.

- We see our land restoration as an essential part of the mining process, take great pride in the work that we do and have been routinely recognized for our environmental reclamation and remediation programs.
- The company strives to be highly responsible in environmental stewardship, community outreach and sustainable development, working in partnership with the key stakeholders of the regions and countries where we mine.
- Peabody continues to explore practices and technologies to minimize energy and water usage.
- We commit to being a strong corporate citizen through philanthropic giving, employee outreach, volunteerism and targeted community stakeholder engagement.

SAFETY

We commit to safety and health as a way of life.

Global Safety Results

At Peabody, safety is our first value and a leading measure of operational excellence. Our vision is to operate safe and healthy workplaces that are incident free. Every employee commits to this vision and is accountable for what we call "Safety a Way of Life," a culture of safety we embrace at work and away, and one that requires constant care and vigilance.

Peabody actively involves employees in developing approaches to prevent incidents and to improve record keeping, reporting and incident investigations, and we emphasize strong communication and continuous improvement of our safety practices.

Global Safety Record

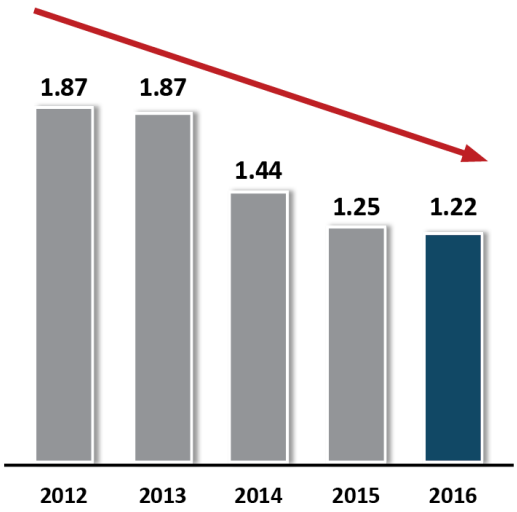
In 2016, Peabody set a new company global safety record, with zero fatalities along with a 1.22[1] total reportable injury frequency rate per 200,000 hours worked. This represents a 2 percent improvement on injury rates from 2015, a year that also set a record for the company.

Overall, Peabody's injury rates compare favorably with industry averages in both the U.S. and Australia, where our operations achieved incidence rates of 1.14 and 1.43, respectively. Worldwide, Peabody's surface mines realized an incidence rate of 0.81, a 19 percent improvement over the 2015 rate of 1.00, with the U.S. El Segundo Mine leading the company's global safety performance with zero reportable injuries or occupational illnesses. Peabody's underground mines achieved an incidence rate of 2.50 in 2016.

Since 2012, Peabody's global reportable injury frequency rate has improved 35 percent.

2016 Global Safety Record

Reportable Injury Frequency Rate per 200,000 Hours Worked



Peabody's global safety rate improved 2 percent over 2015, setting another new record for the company in 2016.

Global Safety Approach

Peabody believes all of its employees must be empowered with the resources, skills and authority to perform their jobs safely.

Every meeting across the company – from the corporate office to the mines – begins with a "safety contact," a lesson learned by an employee regarding safety or health. Safety interactions, internal reviews and external audits are required at all locations, and evaluations of employee performance and compensation are aligned with safety results across all of Peabody's sites.

At Peabody, we engage with employees to prevent incidents, a culture that is underpinned by our Safety a Way of Life management system that aligns to the National Mining Association's (NMA) CORESafety® framework.

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[1]*Peabody 2016 safety data. Peabody calculates incidence rates to include hours worked for employees, contractors, temporary workers, vendors, corporate and regional offices.*

Safety a Way of Life focuses on higher risk activities combined with promoting a culture of employee participation and accountability through elements like behavior observations, near hit reporting and safety innovation, and is designed to set clear and consistent expectations for safety and health across our global platform.

In 2016, Peabody was recognized by NMA as the first company in the industry to achieve independent certification under the CORESafety® system.

CORESafety certification was achieved following an independent audit of Peabody's safety and health system and implementation across the company's global platform. The accomplishment was heralded by NMA President and Chief Executive Officer Hal Quinn, who noted, "The company not only embraced an approach to drive continuous performance improvement that went above and beyond what is required of it by regulations, but it analyzed where it could do better, developed a plan, recorded metrics and submitted the results to a third-party auditor."

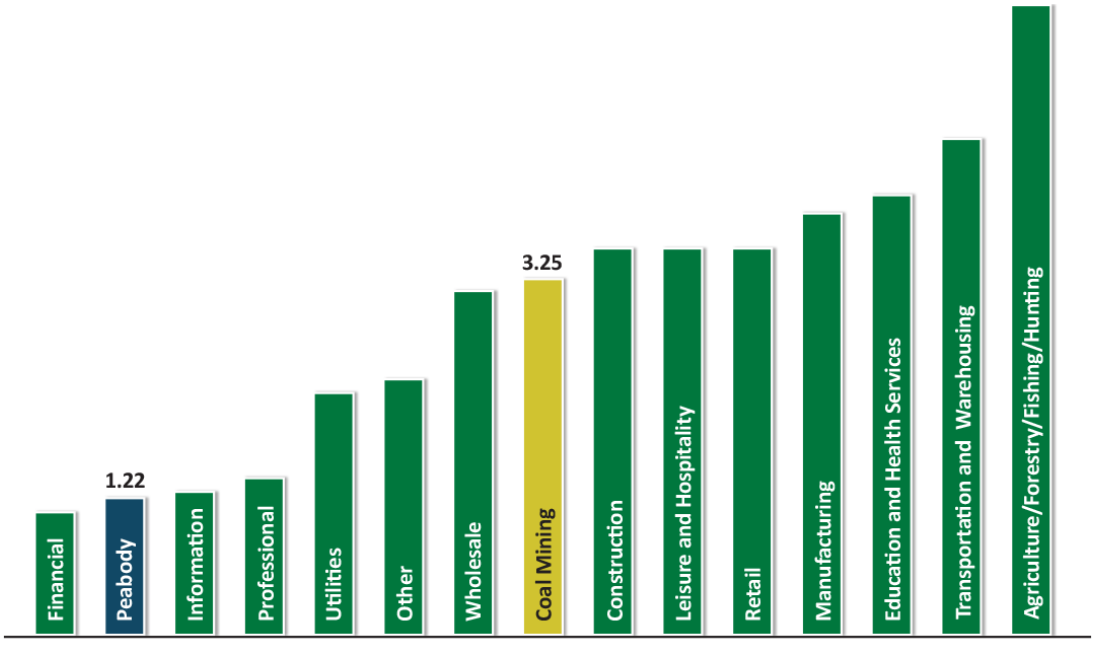
Peabody was a leading voice in developing the CORESafety program with NMA, and our integrated Safety and Health management system aligns with the 20 elements of CORESafety based on pillars of leadership, management and assurance.

Peabody also partners with our contractors to ensure a safe, healthy and productive work environment. The governing standards of our Safety and Health management system make certain that services provided to Peabody comply with our requirements and do not expose contractors to unacceptable risk. We utilize contractor qualification and management tools to ensure that each contractor's safety statistics meet our required expectations and that every contractor on any of our sites is properly trained for the work they will be performing.

Please refer to the Appendix for the full Safety a Way of Life Framework.

U.S. Reportable Injury Frequency Rate: Peabody Compared to Other Industries

Reportable Injury Frequency Rate per 200,000 Hours Worked



Working at Peabody is safer than most U.S. industries, based on reportable injury frequency rates. Our global incidence rate is better than the coal industry average and nearly every major industry sector.

Sources: Peabody safety data, 2016. U.S. Department of Labor, Occupational Safety and Health Administration, 2015 data.

Safety in the Americas

Peabody's Americas operations achieved a total recordable injury frequency rate of 1.14 in 2016, roughly three times better than the U.S. coal mining average.[2] The company's El Segundo Mine set the pace, operating without a reportable incident throughout 2016. Each Americas operation has a Mine Safety and Health Team comprised of both management and hourly employees who represent multiple shifts and work crews. These teams routinely review mine incidents and reportable injuries and are tasked with evaluating actions and near hits, helping develop preventive measures, communicating findings to the workforce and ensuring best practices are applied.

Several of Peabody's operations were recognized in 2016 for distinguished safety results. El Segundo Mine was honored by the New Mexico Bureau of Mine Safety and the New Mexico Mining Association as the 2016 Safe Operator of the Year, and its employee Roy Jones was given the Rescue Response Award for being first on the scene to render aid at a non-mining accident involving a vehicle rollover.

Our Gateway North and Cottage Grove operations were honored by the Illinois Department of Natural Resources as the safest underground and surface mines in the state, respectively, while the Gateway North Preparation Plant was named the state's safest surface facility. Gateway North employees worked more than 319,000 hours from July 2015 to June 2016 and had no reportable injuries for six consecutive months during that time. Cottage Grove employees worked over 187,000 hours during the period. The mine had no reportable incidents from July 2011 to October 2016.

Gateway North underground team members received the Safest Underground Mine in Illinois award from the Illinois Department of Natural Resources in 2016.

Building a Culture that Cares for People

According to Peabody's Vice President of Global Health and Safety, Matt Pedersen-Howard, "Safety a Way of Life succeeds with a commitment at all levels of an organization to create an environment where we strive to be incident free and are prepared to go above and beyond the call of duty. And our President and Chief Executive Officer Glenn Kellow leads the way in incorporating safety into Peabody's culture every single day."

Matt Pedersen-Howard

"Safety is the first thing we focus on; it's the first thing we talk about at each and every meeting," says Glenn. "One of the cultural aspects we have is that everyone has the ability to speak up about safety. Everyone is empowered within our organization to stop the task if they don't believe the task is safe. By investing in our people, processes and equipment, we have changed the way in which we work, which is an important step on our journey of continuous safety improvement."

Learn more about Peabody's focus on safety and health in our People section.

[2] *Peabody 2016 safety data; U.S. Department of Labor, Occupational Safety and Health Administration, 2015 data.*

Peabody issues company awards that recognize our operations for their commitment to safety excellence. In 2016, El Segundo Mine won the U.S. platform President's Award for Best Surface Mine Safety Performance and also won Peabody's CEO Award, which recognizes the operating site(s) that achieve zero reportable incidents throughout a calendar year. El Segundo also had the most improved safety performance over the prior year. Gateway Mine achieved a total reportable injury frequency rate of 1.81, earning the U.S. platform President's Award for Best Underground Mine Safety Performance.

Safety in Australia

Peabody's Australian business unit reported an overall 2016 reportable injury frequency rate of 1.43, a slight increase from the prior year, with 2.10 and 1.32 incidence rates for underground and surface mines, respectively. The incidence rates remain among the lowest in the New South Wales and Queensland coal mining industries. Coppabella, Moorvale and Wambo underground mines all improved their safety performance with 12 fewer injuries collectively than the previous year.

Throughout 2016, the Australian Safety Leadership Team ensured a focus on safety was upheld as a core value. Quarterly safety themes introduced discussion around fire protection and properly managing equipment fires, dust control, emergency preparedness and vehicle safety. An annual safety theme highlighted isolation of harmful energy, including electricity and other forms of energy like hydraulic and pneumatic pressure and gravitational energy. Australia enlisted a cross-site improvement team to develop a standardized "Procedure for Isolation and Control of Harmful Energy," which provides the mine sites with a system to achieve compliance in this area. The procedure offers detail on distinguishing the type of isolation that should be used for various types of workgroups and activities and instructions on how to complete it.

The company collaborates with industry groups in Australia to drive safety initiatives. Peabody provided one of the keynote speakers at the Queensland Annual Mining Safety and Health Conference and was an industry representative on the task force reviewing the re-emergence of pneumoconiosis in Queensland, assisting in the formation of recommendations to the government to address the issue.

Peabody's Underground Collision Avoidance Project continues to move forward. Our company was fundamental in establishing an Industry Working Group to secure Australian Coal Association Research Program (ACARP) funding to functionally test underground collision avoidance systems against a series of practical working scenarios in the underground coal mining environment. The ACARP testing commenced in late 2016 and is expected to be complete with a report delivered to industry mid-2017. This report will guide Peabody's selection of an appropriate system for a planned full working trial at one of our Australian underground coal mining operations in 2017 to 2018.

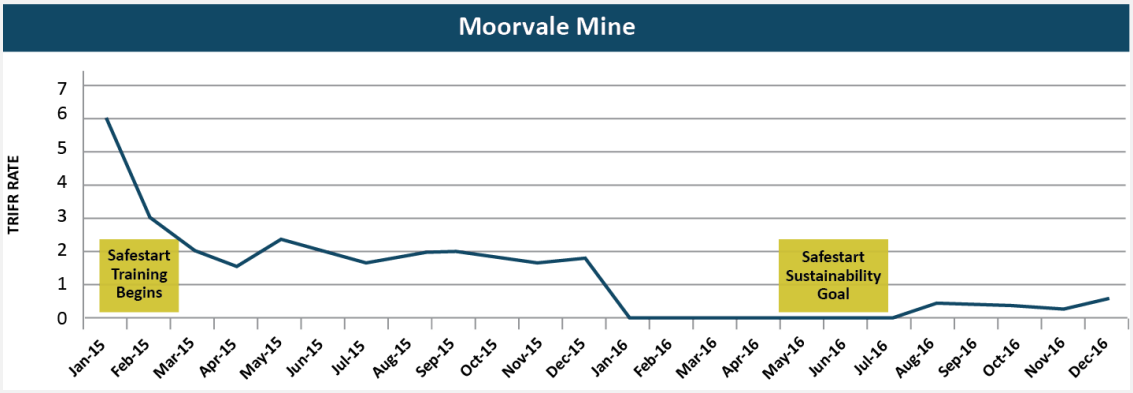
Our Australian operations were honored through company awards for their commitment to safety excellence in 2016. Moorvale Mine achieved the Australian platform President's Award for Best Surface Mine Safety Performance, with a total reportable injury frequency rate of 0.53. Wambo Mine in New South Wales delivered a total reportable injury frequency rate of 1.62, earning the Australian platform President's Award for Best Underground Mine Safety Performance.

Safety Improvement Program Shows Results

SafeStart® behavioral change training, which focuses on reduction in human error through the use of critical error reduction techniques, has been completed at all of Peabody's Australian mine sites. During the next phase, the SafeStart program will be fully integrated into normal work processes. This initiative is driven by Peabody's executive leaders and guided by a sustainability and leadership plan. The plan affirms strong safety leadership to influence safety behavior; incorporates SafeStart concepts into the safety interactions process to ensure management and supervisors continue to engage with workers regarding safety; embeds SafeStart concepts into existing processes such as incident investigations, the Peabody Leadership Program and pre-start meetings; and focuses on employee identification of poor safety habits and subsequent use of SafeStart techniques to improve safety.

At Peabody's Moorvale Mine in Queensland, effectively integrating SafeStart concepts into the normal business process has helped to reduce injuries. For instance, at the start of each shift, a worker shares a SafeStart story and then selects a colleague to share an example at the start of the next shift, provoking topic consideration for 24 hours. The mine's ability to execute on these ideas has resulted in Peabody leadership adopting many of Moorvale's initiatives to improve the program at other mine sites.

A positive reflection of the impact the SafeStart program is having at our operations is also evidenced through the Red Mountain Joint Venture, a joint venture operation between BHP Billiton Mitsubishi Alliance, BHP Mitsui Alliance and Peabody, which has committed to implementing SafeStart in 2017.



Moorvale Mine implemented SafeStart in January 2015 and subsequently saw its total reportable injury frequency rate (TRIFR) drop from 6.11 to 0.00 throughout the first half of 2016.

Compliance and Regulation

Peabody collaborates with the Mine Safety and Health Administration (MSHA) and other government agencies to identify and test emerging safety technologies. Peabody's engineering, maintenance and purchasing teams also partner with other companies, equipment suppliers and governmental agencies to pursue new technologies that have the potential to improve safety, operating performance and mining capabilities.

Before MSHA started to promulgate a rule on mobile proximity detection systems, Peabody was already working to optimize the proximity detection systems on mobile face equipment, an undertaking that is complicated by electromagnetic interference from the mine environment. In partnership with the National Institute for Occupational Safety and Health (NIOSH) and vendors Matrix and Joy, Peabody is currently working to make headway in this area ahead of proposed regulations, and testing has occurred at all four of the company's U.S. underground mines.

In the U.S., Peabody incurred 2,767 MSHA inspection days across our mines, preparation plants and former active mining sites. The violation rate per day of inspection was 0.48 in 2016 compared to 0.55 the prior year, representing a 13 percent improvement.

Mine safety reporting is included in financial regulatory reports as specified by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), and Peabody complies with Securities and Exchange Commission (SEC) disclosures.

A Continual Commitment to Improve Safety

Peabody continually works to improve safety through the testing of processes and technology to create a safer work environment. The hazards of operating machinery, particularly large pieces of moving equipment in repetitive patterns while in any condition other than complete alertness, are well known. Peabody has been seeking to dramatically reduce any potential harm to our employees who operate machinery through several approaches, including testing technology solutions that monitor vehicle operator alertness and provide timely multi-tiered alerts; implementing ergonomic modifications that allow for changes to monotonous routines; providing auditory and mental stimulation and rest breaks; educating employees regarding maximizing rest "off the job," particularly for those who must sleep during the day; and increasing management awareness.

In partnership with Peabody's Information Technology team, a timekeeping report has been developed to alert managers when an employee falls outside the company standard for working consecutive hours or days, or when an employee is not afforded sufficient rest opportunities between shifts. The report will enable the investigation of individual occurrences and prevent re-occurrence, and ultimately help the company in its continued endeavors to improve fatigue monitoring.

Emergency Preparedness

To prepare for emergency scenarios, Peabody Incident Management and Crisis Management Plans are regularly reviewed, updated and aligned.

Peabody's mine rescue and first response teams use highly specialized training to assist in the event of emergencies, even those beyond mine boundaries. The teams regularly earn top honors in regional, national and international competitions, which afford the important opportunity to simulate critical rescue missions.

Peabody's Emergency Response Teams performed well in 2016. In the Illinois Mine Rescue Association competition, Peabody's Francisco Mine Rescue Team from Indiana placed second, and Gateway North's Craig Hawkins took second in the individual competition's Bench Event, where miners ensure proper functioning of a breathing apparatus under a timed response. The Francisco team went on to place third in the Nationwide Mine Rescue Skills Championship.

The Metropolitan Underground Team from New South Wales participated in the 57th Annual Southern Mines Rescue competition and tied for first place in the Firefighting Scenario, with the mine's Martin Jackson winning Best Individual First Aid Rescuer.

The Wambo Mine Rescue Team is pictured with Canadian Prime Minister Justin Trudeau at the International Mines Rescue Competition, where the team placed first in First Aid.

The Wambo Underground Mine Rescue Team, also from New South Wales, placed first in First Aid and sixth overall during the International Mines Rescue Competition.

A Competitive Spirit of Safety Leadership

Mining competitions serve as a platform for Peabody to advance best practices in safety around the world, benefiting our people, our company and the industry. Our employees take great pride in the global safety leadership we demonstrate at these competitions.

The Wambo Undergound Mine Rescue Team (MRT) has nine consecutive years of success at the national or international levels. In 2015, they took first place in the highly contested 53rd Annual Australian Underground Mines Rescue competition, earning the honor of representing the country in the 2016 International Mines Rescue Competition held in Sudbury, Canada, where they achieved first place in First Aid and sixth overall, competing against nearly 30 teams from 13 nations.

During four days of events, the competition presented lifelike emergency response situations such as firefighting, high angle rope rescue and underground mine rescue simulation. The Wambo MRT honed their skills throughout the year, often on personal time, and shared training techniques with Peabody's Twentymile MRT in Colorado while en route to the competition. The team is comprised of eight members, all of whom began their careers in mine rescue while working at Wambo, with one member marking 23 years in the field.

The Wambo Mine Rescue Team is pictured competing during the International Mines Rescue Competition. These events provide simulated emergency scenarios and test first aid, search and recovery, firefighting, roof support and ventilation skills.

Safety Achievements

Through safety and health innovation awards, Peabody encourages and honors employees and contractors who collaborate, innovate and execute risk reduction ideas that make the company safer and stronger.

Twenty-seven entries across Peabody's global operations were submitted during 2016, presenting an array of solutions. The following took top honors.

- **First Place and Most Transferable** – Wilpinjong Mine's 789D dump body stand and access platform helps create a safe and level platform for maintenance in and access to the haul truck bed.

- **Second Place** – Twentymile Mine's multi-stage pump longwall ventilation moves harmful mine gases from behind the advancing longwall through a borehole, piping them directly to the surface and eliminating the risk of employees traveling into an area with low oxygen or high methane, carbon monoxide and carbon dioxide, and reducing spontaneous combustion risks.

- **Third Place and Most Original** – North Antelope Rochelle Mine's shovel tow hook allows a large piece of pulling apparatus to be split into several laminate layers and bolted together, reducing the weight for each manual lift and making it easier for an individual to attach the tow hook to a car body, minimizing the likelihood of an injury.

- **Most Effective Safety Solution** – With university and industry partners, Wilpinjong Mine implemented a remote control dozer and semi-autonomous dozing system in a pivot push dozer, designed to mitigate exposure to unhealthy levels of whole body vibration and noise and reduce dozer-related injuries.

- **Most Cost-Effective Safety Solution** – A hoist cylinder trunnion extension was created by the Coppabella Moorvale Mine to significantly reduce the time and risk associated with monitoring for cracking and failure of hoist cylinder trunnions.

Find extensive detail about each pioneering innovation in our Excellence section.

El Segundo Mine in New Mexico, which has operated without a reportable incident for 21 months as of May 2017, was recognized in 2016 for distinguished safety results. Honors included the company's award for "Best Surface Mine Safety Performance" and recognition by the New Mexico Bureau of Mine Safety and the New Mexico Mining Association as the 2016 Safe Operator of the Year.

CUSTOMER FOCUS

We provide customers with quality products and excellent service.

Our Customer Commitment

Our role as the world's largest private-sector coal company is both a profound responsibility and an immense privilege. Peabody takes great pride in mining, and in 2016 we traded and shipped 187 million tons of coal, serving metallurgical and thermal coal customers in more than 25 countries on five continents. Our work is grounded in an ongoing customer commitment that dates back more than a century.

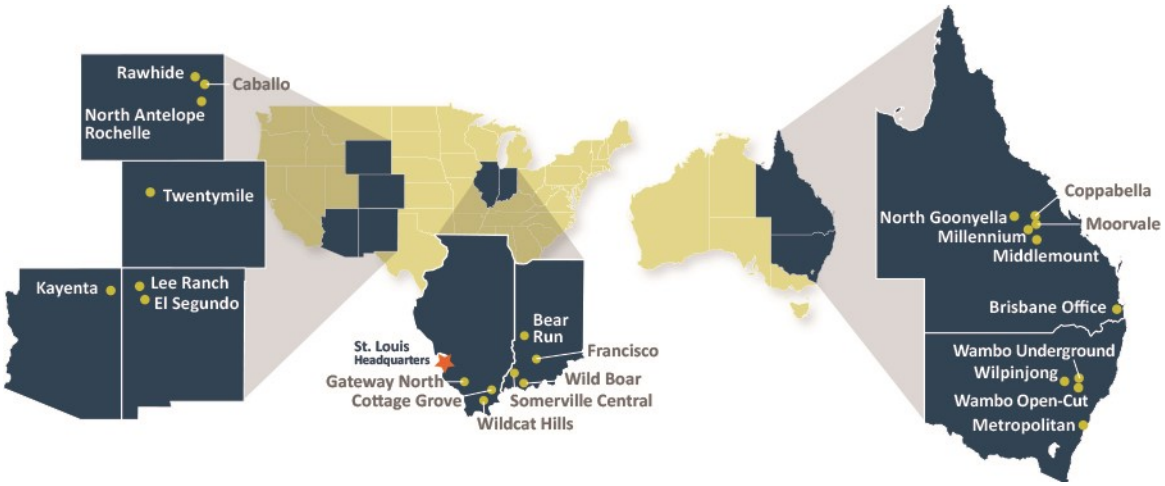
Committed to Coal, Committed to Customers

From the 19th century Industrial Age through today's Information Age and beyond, coal continues to power society's progress and fuel the future.

As populations from South America to Asia move to cities in pursuit of improved quality of life, a new global middle class emerges, creating urban lifestyles that are often far more energy intensive and that involve apartments, appliances and automobiles that require steel to construct and electricity to operate. Metallurgical coal is an essential ingredient in steel production, and thermal coal, an affordable and reliable fuel, provides critical energy to our customers and in turn families, businesses and communities.

Peabody is uniquely advantaged to serve our customers from around the globe with a portfolio centered upon three core regions; Australia, the Powder River Basin in Wyoming and the Illinois Basin. Peabody shipped approximately 18 million tons of coal in 2016 from our U.S. Midwest mines in Illinois and Indiana to electricity generators and industrial customers throughout the region. The company's Powder River Basin operations provided approximately 113 million tons of coal in 2016 for customers in the U.S. In Australia, across Queensland and New South Wales, Peabody's operations achieved total 2016 sales of nearly 35 million tons,[1] primarily to steel producers in Europe, South America, Asia and Australia, as well as to electricity generators in Australia and Asia.

Peabody is a Leading Coal Producer with Significant Product and Geographic Diversity



[1] *The term "ton" refers to short or net tons, equal to 2,000 pounds (907.18 kilograms).*

Exceeding Customer Expectations

We pride ourselves on building and maintaining trusted and respected partnerships with our customers around the world. Peabody continues to take a long-term approach by entering agreements with various steel mills and power utilities.

Providing and delivering the right quality of coal to meet customer requirements is a primary goal. Through Peabody's pioneering of technical advances in mining, a conveyor and blending system developed at North Antelope Rochelle Mine (NARM) in Wyoming is unique among all surface mines. Each unit train at NARM is loaded with approximately 16,000 tons of coal, which is blended with great precision and efficiency to meet exacting specifications for every single customer. During 2016, 93 million tons of coal were produced and shipped out of NARM.

North Antelope Rochelle Mine is the world's largest coal mine and has shipped over 2 billion tons of coal.

Continuous improvement and leading practices extend across Peabody's platform, and at Caballo Mine in Wyoming, batch blending from the silos to the trains is fully optimized to meet or exceed contract specifications for Peabody's customers. The silos and top-off batch system at the operation can hold over 47,000 tons of coal. Train cars are first loaded from the silos with between 105 and 115 tons of coal, and each then moves to the top-off batch system, where cars are filled to 120 tons, ensuring each load is maximized.

Peabody Supplies Coal to World's Largest Post-Combustion Carbon Capture Project

Creating energy from the production of energy. That's the win-win plan for the Petra Nova carbon capture and storage project at the W.A. Parish Generating Station near Houston, Texas. The power generation facility is one of the largest in the U.S. and a customer of Peabody. The billion-dollar Petra Nova project, which is a joint venture between NRG Energy and JX Nippon Oil & Gas Exploration, Japan's largest oil producer, applies carbon capture technology to an existing coal-fired power plant and came on line in 2016.

The project was selected as part of the U.S. Department of Energy's Clean Coal Power Initiative Program. The facility captures more than 90 percent of the CO_2 from a 240 megawatt slipstream of flue gas for use and ultimate sequestration of 1.6 million tons annually. The CO_2 is transported via underground pipeline and used for enhanced oil recovery at the West Ranch oil field in Texas. During the plant's first several years, it is estimated that oil production at the field will increase from around 300 barrels per day to 15,000 barrels per day, using captured CO_2. It is estimated 60 million barrels of oil could be recovered over the life of the project.

Quality Coal for Quality of Life

Peabody is proud to deliver one of the world's most abundant and affordable sources of energy that is essential for powering the 21st century's amazing modern marvels and economic growth. In 2016, coal was responsible for more than 30 percent of the electricity generated in the U.S. and over 40 percent globally.[2]

Coal provides an inexpensive and clean source of energy. In the U.S., states that generate less than 5 percent of their electricity from coal pay 60 percent more in electricity rates than states that predominantly (>50 percent) use coal for electricity.[3] In addition, since 1970 the U.S. coal-fueled electric generating fleet invested over $120 billion[4] to achieve a 92 percent reduction in emissions per kilowatt-hour of sulfur dioxide, nitrogen oxides and particulate matter.[5]

Through it all, Peabody maintains a keen focus on our customers and the affordable, reliable electricity that coal provides families and businesses across the globe, which guides our work with the greatest sense of purpose. Our objective is to provide exceptional service to meet the essential energy needs of a global community that is more wired, more networked and more reliant on power than ever.

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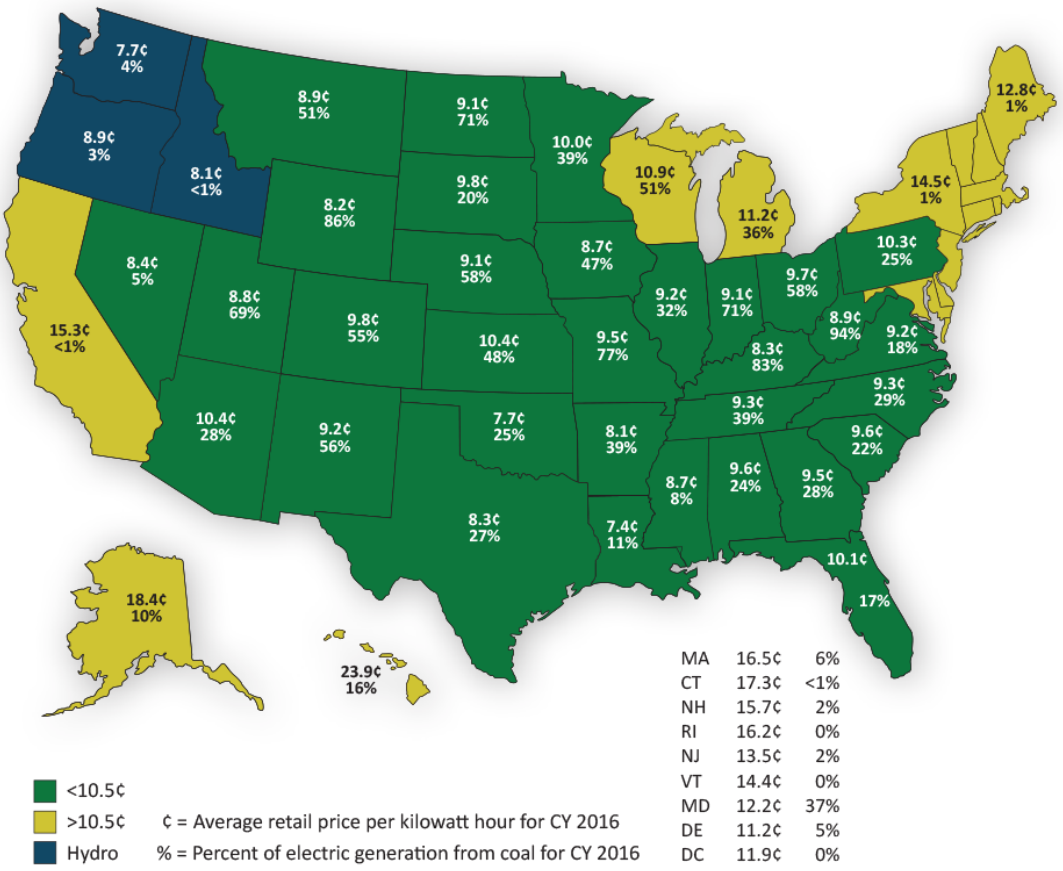
[2] U.S. Energy Information Administration, Electric Power Monthly, February 2017; International Energy Agency, World Energy Outlook. 2016.

[3] U.S. Energy Information Administration, Electric Power Monthly, February 2017.

[4] Energy Ventures Analysis, Capital Investments in Emission Control Retrofits in the U.S. Coal-Fired Generating Fleet Through the Years, January 2016.

[5] U.S. Environmental Protection Agency, National Air Pollutant Emission Trends and Air Market Database.

Coal-Fueled Generation Provides Low-Cost Electricity in America



On average, states that utilize coal for a significant portion (>50 percent) of their electricity generation enjoy lower rates than coastal states that use minimal amounts of coal.

Source: U.S. Energy Information Administration, Electric Power Monthly, February 2017.

LEADERSHIP

We have the courage to lead and do so through inspiration, innovation, collaboration and execution.

The Role of Advanced Coal Technologies in the Future of Energy

Energy is essential. It is part of our global economy and an engine of human and environmental progress. Every day, our world needs more energy delivered safely, reliably, affordably and cleanly. Today, the world uses twice as much electricity as it did 25 years ago.[1]

Access to affordable energy is crucial for improved family budgets and economic prosperity, and a balanced energy portfolio is vital given growing electricity demand. The need for power becomes even more pronounced when one considers the billions of people in emerging economies that still have inadequate or no access to modern energy. For these families, there is no enduring light, no refrigerators to keep food fresh and no clean or safe way to heat homes.

Peabody believes that safe, environmentally responsible, high-tech coal mining and power generation offer a widely available and cost-competitive means to meet the energy needs of both developing and industrialized nations. Advanced coal technologies are a ready-today solution to satisfy global energy needs and accelerate the transition to low-carbon energy systems. There are three core steps toward this goal:

1. Continue to use coal to generate electricity, which can lift hundreds of millions from energy poverty, poor health and other hazards caused by cooking and heating with open fires.

2. Use today's high-efficiency, low-emissions (HELE) coal-fueled generation technologies to drive down carbon dioxide (CO_2) levels and regulated emission rates. There is a large build-out of these plants underway globally, with more than 800 gigawatts of advanced coal generation on line or under construction.[2]

3. Advance policies and investments to commercialize next-generation carbon capture, use and storage (CCUS) technologies, which offer a large-scale solution to capture CO_2 from power generation as well as industrial processes.

Peabody has long held the belief that when we put people first, we put energy first. As energy leaders, 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. All of this points to coal's important role in the mix of fuels given its scale, availability and low cost.

[1] *International Energy Agency, World Energy Outlook, 2016.*
[2] *Platts World Electric Power Plant Database, December 2016.*

Near-Zero Emissions and Low-Carbon Projects

Peabody advocates for clean coal technologies to reduce carbon and other emissions. We have invested $300 million over the past two decades in global partnerships and projects in Australia, China and the U.S. to deploy today's clean coal technologies and advance next-generation solutions toward the ultimate goal of near-zero emissions from coal-fueled power plants.

GreenGen

The GreenGen power plant and carbon research center in Tianjin, China, commissioned its first 250-megawatt gasification unit in 2012. GreenGen's integrated gasification combined cycle (IGCC) plant operated smoothly throughout 2016. The dry pulverized coal gasifier successfully conducted the single-brand coal gasification operation, and GreenGen completed the 72-hour full-load test on the CO_2 capture device. In later phases of development, GreenGen is expected to increase electricity generation to 650 megawatts and capture CO_2 for enhanced oil recovery in the nearby Dagang oil field. At full build, GreenGen will be among the world's largest near-zero emissions coal plants. It is a global model of ready-today technology, and Peabody is the only non-Chinese equity partner.

COAL21 Fund

Peabody is a founding member of Australia's A$1 billion COAL21 Fund, an industry effort to pursue a collection of low-carbon technologies. This world-first, whole-of-industry funding approach is designed to support greenhouse gas abatement and is based on a voluntary levy on coal production. To date, Peabody has committed more than A$27 million to the COAL21 Fund, which has so far directed more than A$300 million to demonstration projects in Queensland, New South Wales and nationally, covering CO_2 capture, geological storage and methane emissions abatement at operating underground coal mines.

COAL21 was established in 2006 to help finance the pre-commercial demonstration work needed for key technologies, including research on CO_2 capture and storage. COAL21's flagship initiative is the Callide Oxyfuel Project in central Queensland, which successfully demonstrates how oxyfuel and carbon capture technology can be applied to existing power stations to generate electricity from coal with low emissions. More than two years of testing under "live" power station conditions shows that the technology is ready for application at full-scale commercial power stations, and when linked with carbon capture and storage, has the potential to reduce CO_2 emissions from coal-fueled power stations by up to 90 percent.[3]

U.S.-China Energy Cooperation Program

Peabody is a founding member and the co-chair of the U.S.-China Energy Cooperation Program, which includes Fortune 500 companies pursuing clean coal technology development and clean energy projects in coordination with key government agencies of both countries. The U.S. Department of Energy and the Chinese National Energy Administration are the coordinating agencies. Participants are advancing a variety of projects, including coal-based power generation with CCUS, smart power grid development and clean transportation.

Consortium for Clean Coal Utilization

Peabody is a founding member of the Consortium for Clean Coal Utilization, which is progressing research in advanced coal and carbon capture technologies at Washington University in St. Louis. Operating under the umbrella of the International Center for Advanced Renewable Energy and Sustainability, the consortium fosters partnership between universities, industry leaders and government agencies to advance clean coal technologies.

[3] *Callideoxyfuel.com. Callide Oxyfuel Project, March 2017.*

Capturing Carbon on Campus

Just a few miles from Peabody's headquarters in downtown St. Louis, researchers at the Consortium for Clean Coal Utilization (CCCU) are working to score major breakthroughs in low-carbon technology. Housed within Washington University's Advanced Coal & Energy Research Facility is a functional one megawatt thermal coal-fueled power plant test site, a state-of-the-art facility where early-stage technologies conceived in laboratories and developed into pilot projects are evaluated to determine their scalability. Industry, faculty and students test carbon capture, emission controls, biomass combustion and co-firing, oxy-coal combustion, novel burner designs and process efficiency improvements. Among the facility's innovative features are the large-scale photobioreactors used to produce algae. As algae undergo the natural process of photosynthesis, the growing organisms work to capture and consume CO_2 from the exhaust gas coming from the test furnace.

The CCCU was established in 2008 with seed money from Peabody, St. Louis-based Arch Coal and St. Louis regional utility, Ameren, with a goal of advancing technologies that foster clean utilization of coal through creation of an international partnership between universities, industries and government organizations. The Consortium is helmed by Richard Axelbaum, Ph.D., the Jens Professor of Environmental Engineering Science, who believes coal will continue to be an important part of the future energy scenario, even in a carbon-constrained world.

"We need more emphasis on policy development and implementation for use of coal in a cleaner manner, particularly in developing countries. These nations need to eliminate household use of coal for heating and cooking, and instead promote its use in larger centralized plants. The resulting lower electricity costs will drive increased economic development in those regions," stated Dr. Axelbaum.

A view overlooking the Advanced Coal & Energy Research Facility at Washington University in St. Louis, where the Consortium for Clean Coal Utilization engages the world's best minds in clean coal research and aims to improve public understanding of coal as a source of energy. Peabody is a founding member of the consortium and has committed $6.5 million since its inception.

Policies Matter, Fuel Choices Matter

When it comes to energy, we need it all. Peabody believes coal must be recognized as an essential part of a balanced energy portfolio.

Coal fuels more than 40 percent of the world's electricity,[4] the most of any single fuel type, and is one of the primary fuels with the scale, reliability and affordability to meet demand. Each day, hundreds of millions of people around the world wake up to the benefits of coal-fueled electricity, which enables longer and better lives.

Yet, activists call to move away from use of coal, oil and natural gas, even though fossil fuels are the backbone of the world's energy supply, providing about 80 percent of total global energy consumed.[5] Such extreme measures would leave families in the dark by turning away access to modern, affordable energy. A world without fossil fuels also would destroy the hope of a better future for billions who lack proper electricity right now.

During this time of heightened discussion about the world's use of fossil fuels, Peabody has called on industry to embrace sustainable mining, energy access and clean coal technologies. We believe that technology is the best path toward reducing greenhouse gas emissions over time, and we will continue to work with industry, government and nongovernmental organization participants on a technology path to achieve our energy, economic and environmental goals.

Peabody's senior leaders are represented on prominent industry and association boards and committees, spearheading advocacy of a technology path for long-term improvement in carbon emissions that will enable the world to use more energy, while keeping electricity reliable and affordable. They lend constructive and responsible voices, with leadership in organizations like the National Coal Council, the International Energy Agency Coal Industry Advisory Board, the Carbon Utilization Research Council, the National Enhanced Oil Recovery Initiative, the Global Carbon Capture and Storage Institute and the Australian Coal Association Low Emission Technologies Coal21 Fund.

The U.S. Presidential Election and Energy

The U.S. presidential election in November 2016 resulted in sweeping changes to the country's political climate, with Republican nominee Donald Trump winning the presidency and Republicans retaining control of both the U.S. Senate and House of Representatives.

In its America First Energy Plan, the Trump administration has stated it is committed to reviving America's coal industry and advancing clean coal technology. It also commits to energy policies that lower costs and maximize the use of American resources, including coal.[6]

Peabody is energized by the administration's goal of putting coal miners back to work and that coal is being recognized as an essential part of a balanced energy portfolio. The company plans to work with the administration and other stakeholders in both the public and private spheres on an all-of-the-above energy strategy that will advance HELE and CCUS technologies, both of which are necessary to help achieve the goal of increasingly low-carbon energy systems.

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[4] *International Energy Agency, World Energy Outlook, 2016.*
[5] *Ibid.*
[6] *The White House, "An America First Energy Plan," March 2017.*

Investment Principles for Best-in-Class Coal Companies

We expect coal to be an essential source of global electricity generation and steelmaking for many decades to come. The world needs coal to meet growing energy demand at a time when urban populations are projected to increase by 1.4 billion over the next 20 years and people embrace lifestyles powered by modern energy.

With energy being vital to life, and future energy needs heavily reliant on coal, we submit that investors consider the following principles to assess whether their target investment companies meet the vast majority of the following standards consistent with best-in-class coal companies. A set of questions to determine alignment may be reviewed in our Appendix section titled Investment Principles Questionnaire.

The following best-in-class principles are core to our company and an embedded part of our culture. View Peabody's self-assessment of alignment to the Investment Principles at PeabodyEnergy.com.

Sustainable Mining

- Operate safe workplaces, commit to continuous improvement in incidence rates and establish safety as a top priority principle.
- Maximize resource recovery.
- Seek ongoing improvement in environmental performance.
- Disclose which mines provide mountaintop-removal-free production.
- Commit to restoring mined lands for generations that follow.
- Respect human rights and indigenous people who are potentially impacted by mining activities.

Energy Access

- Drive partnerships and policy to achieve universal access to modern electricity.
- Engage with government, academia and other stakeholders to address major energy challenges.

Clean Coal Technologies

- Support greater deployment of advanced coal and next-generation carbon capture, use and storage technologies.
- Support and drive policies to achieve the goal of near-zero emissions in the world's next-generation coal-based electricity generation fleet.

Advanced Coal Technologies: An Environmental Success Story

We believe coal is an essential part of the world's energy mix and is needed to achieve the three-part goals of energy security, economic progress and environmental solutions. Since 1970, coal-based electricity generation in the U.S. has increased about 75 percent, while regulated power plant emissions have decreased nearly 92 percent per megawatt hour.[7]

Advanced coal technologies continue to build on this progress and are broadly used today in the U.S. and around the world, making coal-fueled power plants cleaner than ever before. Today's clean coal technologies enable substantial further improvements in air quality by reducing the vast majority of sulfur dioxide (SO_2), nitrogen oxides (NO_x), particulate matter, mercury and other emissions.

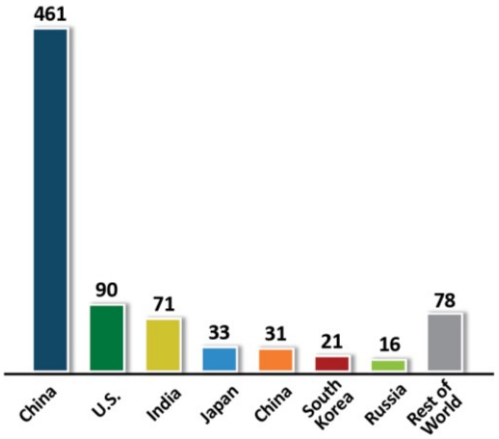
[7] *U.S. Energy Information Administration, Electric Power Monthly, February 2017; U.S. Environmental Protection Agency, National Air Pollutant Emission Trends & Air Market Program Database.*

During the past five years, approximately one new 500-megawatt coal-fueled power plant came on line every three days, and the majority of these plants have been developed with HELE technology.[8] These technologies result in a smaller environmental footprint, achieving as much as a 25 percent reduction in a plant's CO_2 emission rate. Notably, when HELE plants are equipped with advanced emission controls, they achieve regulated emission rates that are 55 to 70 percent below the existing U.S. coal fleet.[9]

Since 2010, 43 countries have added over 520 gigawatts of new coal generation capacity, and a large build-out of high-efficiency coal plants is underway globally. More than 800 gigawatts of advanced coal generation are currently in operation or under construction.[10]

Over 800 GW of Advanced Coal Generation Currently On Line or Under Construction

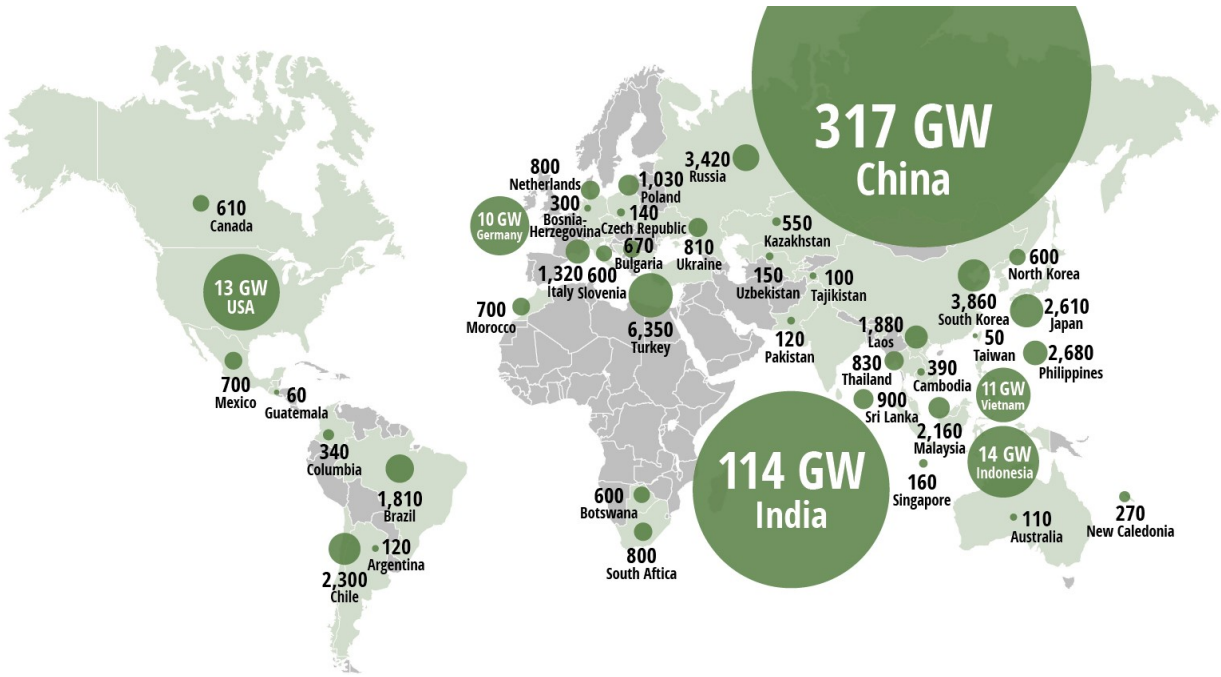
Supercritical and Ultra-supercritical Plants Operating or Under Construction.



Moving the current average global efficiency rate of coal-fueled power plants to supercritical levels could deliver the environmental benefit of reducing India's annual CO_2 emissions to zero.

Sources: Platts World Electric Power Plant Database, December 2016; World Coal Association, Platform for Accelerating Coal Efficiency concept paper, January 2015.

Since 2010, More Than 1,200 New Coal Generating Units Have Come On Line in 43 Countries



Generation capacity is represented in megawatts, with the exception of China, Germany, India, Indonesia, U.S. and Vietnam, represented in gigawatts.

Source: Platts World Electric Power Plant Database, December 2016.

[8] *Platts World Electric Power Plant Database, December 2016.*
[9] *SNL from Environmental Protection Agency Database, CY2016.*
[10] *Platts World Electric Power Plant Database, December 2016.*

Peabody Honors Cleanest Coal-Fueled Plants

Through our third annual Peabody Clean Coal Awards, Peabody seeks to honor quality work to advance HELE generation and low-carbon systems. Awards are based on data available from the Environmental Protection Agency for the lowest SO_2 and NO_x emissions rates, in addition to the best efficiency (as measured by heat rate), which results in a lower carbon footprint. Starting in 2016, Peabody also recognized industry pioneers advancing modern, large-scale CCUS projects, with review by an independent panel of CCUS subject matter experts.

The 2016 winners showcased tremendous environmental success and progress toward large-scale CO_2 capture technologies that Peabody believes are essential for meeting environmental goals. The following U.S. coal-fueled power plants were recognized for top environmental performance:

Dynegy's Coffeen Plant: Best SO_2 emissions rate among U.S. coal plants. The Coffeen plant has a SO_2 emissions profile that is 99 percent better than the U.S. coal fleet average. The 915-megawatt power plant operates in central Illinois and is over 50 years old. Coffeen uses low-sulfur Powder River Basin coal and added a wet scrubber in 2009.

Kevin Ziegler of Dynegy Coffeen is pictured with Russell Ray, Chief Editor of Power Engineering magazine. The Dynegy Coffeen plant has the best SO_2 emissions rates in the U.S. and uses Peabody's Powder River Basin coal.

Southwestern Electric Power Company's (SWEPCO) John W. Turk Jr. Plant: Best NO_x emissions rate among U.S. coal plants. The Turk plant has a NO_x emissions profile that is 79 percent better than the U.S. coal fleet average. The 600-megawatt ultra-supercritical power plant was built in Fulton, Arkansas, by SWEPCO, a unit of American Electric Power, and began commercial operation in 2012.

Longview Power LLC's Longview Power Plant: Lowest heat rate among U.S. coal plants. The Longview plant operates at a level of efficiency 15 percent better than the U.S. coal fleet average. Longview's best-in-class heat rate of 9,003 Btu per kilowatt hour in 2015 continues to improve, and the company's current efficiency performance is on track to be below 8,900 Btu per kilowatt hour. The 705-megawatt supercritical power plant located in Maidsville, West Virginia, was commissioned in 2011.

Mississippi Power's Kemper County Energy Facility: CCUS Pioneer. The 582-megawatt Kemper facility located in Kemper County, Mississippi, employs Transport Integrated Gasification technology that is expected to reduce CO_2 emissions by 65 percent. Judges applauded the facility's innovation in the areas of ash removal and CO_2 separation, noting "the technology holds great promise for future new electric power plants."

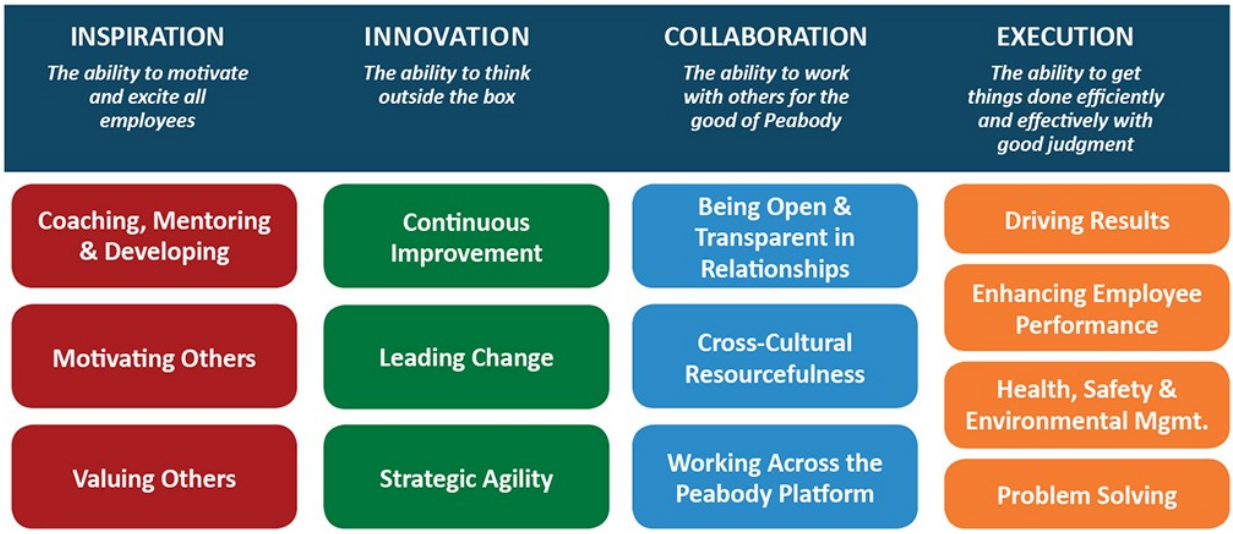
NRG Energy and JX Nippon Oil & Gas Exploration's Petra Nova Carbon Capture Project: CCUS Pioneer. The Petra Nova project demonstrates commercial-scale deployment of post-combustion carbon capture and is designed to capture approximately 90 percent of CO_2 emissions from a 240 megawatt equivalent slipstream of flue gas from the W.A. Parish plant in Thompsons, Texas. Judges commended the project's innovative capture technology, observing that it "represents the first large-scale retrofit of an existing coal-fired power plant."

Peabody People, Leading People

Peabody focuses on building its leadership pipeline by identifying and developing key talent throughout the organization. The company develops leaders so they have the skills to lead courageously based on the company's four leadership pillars – Inspiration, Innovation, Collaboration and Execution. Each pillar is comprised of core competencies and behavioral descriptions that assist employees across all levels to better understand leadership expectations.

Using this framework, talent review meetings are held with leadership teams across the business to discuss current and potential leaders and steps to accelerate their development. Programs like the Manager and Supervisor Development Program support the leadership pipeline down through the first-line supervisor.

Learn more about employee development and training initiatives in our People section.



PEOPLE

We offer an inclusive work environment and engage, recognize and develop employees.

Peabody People

Peabody believes that we have the best workforce in the industry, and we value the talented men and women who are essential to our success. The company seeks an empowered and collaborative workplace that is built upon a foundation of mutual trust and respect, and we commit to keeping our employees informed through open and transparent communication.

Peabody employs approximately 6,700 people in the U.S., Australia, Europe and Asia. About 94 percent of Peabody's employees work at mine operations or regional offices in Beijing, Brisbane and London, while the remaining workforce is based in St. Louis, Missouri, the company's global headquarters. The typical Peabody employee has more than 10 years of experience with the company.

Peabody's St. Louis employees, celebrating the company's successful emergence from U.S. Chapter 11 protection and "The New BTU" listing on the New York Stock Exchange on April 4, 2017.

An Empowered Workforce

Peabody's mission and values are foundational to who we are, how we act and what we do, driving decision-making and actions at every level. In an effort to seek targeted feedback and measure progress in living our values and improving organizational culture, the company conducted a brief "culture pulse survey" of employees in April 2016, followed by focus groups that involved more than 150 employees in 17 sessions. Cultural improvements were identified in 11 of 12 areas measured. The needle on organizational communication progressed 71 percent over the prior year and was significantly higher than the median result benchmarked against 172 other companies in various industries, with the greatest improvements found in providing communication that promotes discussion. Participants noted improvements in decision-making that help empower employees, a leadership team that is viewed as more open and flexible, and continued strong collaboration between the company's various segments.

As a result of the survey, each function identified multiple action items. The Corporate Finance team created a committee to explore offering a more flexible work environment as well as a mentoring program to expose those early in their career to different areas of finance. The Information Technology and Peabody Business Services functions offered managers a class on development planning so they could help their employees create improved talent development plans that focus on career paths, stretch goals and cross-training opportunities.

Global Inclusion and Diversity

Peabody values the power of inclusion and diversity as a competitive advantage to deliver exceptional business results, and the company works to maintain a global workforce that represents many diverse backgrounds. Company inclusion programs are formalized in policy and practice and are embedded in the Equal Employment Opportunity policy and the Code of Business Conduct and Ethics.

Peabody is committed to increasing representation of diverse employees throughout our operations. We work to recruit and retain a high performance workforce that is representative of our diverse global business platform, to contribute to and engage with the communities where we operate, and to position Peabody to reflect and respond to a global customer base. In the U.S., 15 percent of our workforce is racially or ethnically diverse. We also recognize the competitive value of a diverse supplier base, and we seek to develop a strong supplier network within the industry. Our spend with minority suppliers in the U.S. during 2016 totaled more than $21 million.

Women in Leadership

Dr. Heather Wilson, who served as a Peabody board of director member from 2013 to 2017, was confirmed by the U.S. Senate as Secretary of the Air Force in May 2017. She is one of the first female graduates of the U.S. Air Force Academy, a Rhodes Scholar, a former member of U.S. Congress and currently serves as President of the South Dakota School of Mines and Technology.

Savoy magazine, a publication that celebrates leaders in African American culture, recognized Verona Dorch, Peabody's Executive Vice President, Chief Legal Officer, Government Affairs and Corporate Secretary, among the Most Influential Women in Corporate America for her accomplishments. Verona joined Peabody in 2015 and serves as an associate of the International Energy Agency Coal Industry Advisory Board, a faculty member for the Association of Corporate Counsel's Executive Leadership Institute and a de Tocqueville Society member of United Way of Greater St. Louis. Verona has also been recognized as one of the Most Powerful Women in Business by Black Enterprise magazine.

Left: Dr. Heather Wilson. Right: Verona Dorch, shown mentoring at a speed networking event hosted at Peabody's St. Louis office to support the American Red Cross Society of Women Leaders. "I believe in using ambition for the greater good by helping more women and minorities achieve senior roles and by being involved in organizations that made a difference in my life," says Verona.

Peabody maintains an active Global Inclusion and Diversity Advisory Board (IDAB), currently led by two female executives. Each of Peabody's business units has an IDAB group of employees that promote inclusion efforts and often introduce culture-enhancing and mining-promotion activities to support business goals. In 2016, the Australian IDAB established a regional subcommittee to focus on grassroots workforce engagement. In the Americas, an IDAB member helped to spearhead the creation of recruitment ads that ran in regions near Peabody's Midwest mines, with the intention of appealing to potential female applicants.

Recruitment of key mining talent remains a priority for Peabody, and targeting female applicants for all positions is a focus. Overall, women hold 13 percent of Vice President and above roles for the company and 10 percent of the global workforce is represented by women. In Australia, women comprise 38 percent of the leadership team and 19 percent of the salaried workforce, and recruitment practices now include the targeted sourcing of female applicants for advertised positions when the applicant pool for a position is exclusively male.

Peabody welcomes a diversity of experiences and ideas to enhance the work environment and encourages women to explore a career in the mining industry.

Mentoring and Networking

Recognition and support of women in the mining industry is important to Peabody across its operations. In 2016, a pilot mentoring program was initiated globally to pair women early in their career with a seasoned male or female leader. The two embark on a mutually beneficial relationship where the mentee continues to grow in her leadership skills and work toward specific development goals, while the mentor is able to hone skills and share knowledge. Mentees also participate in networking and knowledge-share activities as a group. The program is part of Peabody's development philosophy and serves as a cost-effective development tool and an organizational culture enhancer. In Australia, it will be rolled out to employees who completed the platform's Graduate Program.

In Australia, networking opportunities for women are communicated in weekly bulletins, and events are commonly attended by groups of employees. In some cases, high-performing females are supported in their transfer to different areas of the business, boosting retention and diversifying their skill set. In 2016, over 20 percent of internal transfers or promotions were women.

Peabody is represented on the Minerals Council of Australia Workforce Gender Diversity Reference Group and various Women in Mining organizations, and Peabody employees at all levels are commonly recognized for their outstanding accomplishments in the industry. Natalie Banham, a Human Resources Specialist who started with Peabody in 2010 in the Graduate Rotation Program, was a 2016 finalist in the Queensland Resources Council Women in Mining Awards in the category of Exceptional Young Woman in Queensland Resources.

Coaching Leaders and Changing Perspectives

Lina Young, Senior Vice President of Peabody Business Services and Chief Information Officer, was paired in two mentoring relationships, one with Katherine Gullic, Accounting Manager at Wildcat Hills Mine in Illinois. While the geography between the two is great, mentoring has given Lina a closer view of the challenges and opportunities individuals are presented with when working in Peabody's regions. "The program provides time to build a relationship," says Lina. "Valuable new connections are being made with the next generation of Peabody leaders at corporate and in the regions."

For Katherine, having a mentor grants opportunity to "build relationships within the company, outside of individuals you see on a daily basis," which she views as important. "I also work at a site where the majority of employees are male," she said, "so the program has provided me with a female mentor who understands my perspective."

Katherine Gullic

Natalie Banham's path at Peabody included work at various sites, including as the first on-site Human Resource Representative at Metropolitan Mine. In 2013, she was selected as the winner of the Australian Human Resources Institute Dave Ulrich Human Resources Rising Star of the Year award.

Queensland Resources Council Chief Executive Ian Macfarlane stated that diversity across its workforce is key to the resource sector's ongoing success, where presently women comprise just over 15 percent of Queensland's total resources workforce.

"These awards, presented annually since 2006 on International Women's Day, play an important role in recognising our leading women and diversity champions, while providing role models and ambassadors for our sector," said Macfarlane in a release announcing finalists.

Tribal and Indigenous Employment and Engagement

Peabody has a deep respect for cultural heritage and works with local indigenous communities at a number of our mines. In 2016, Native Americans comprised 93 percent of our workforce and held more than 76 percent of the mine management, administration and supervisory jobs at the company's Kayenta Mine in Arizona, which operates on Navajo and Hopi lands.

In Australia, Peabody is committed to identifying employment and business opportunities for Indigenous Australians, with a focus on Traditional Owners within our operational areas. Assessment centers form one component of our recruitment and selection process. These centers are used in conjunction with our technical selection criteria to short-list candidates for interviews. The assessment activities focus on behaviors like communication and problem solving and have been designed to give full and equal consideration to the gender and cultural diversity within our candidate pool.

We also work closely with Aboriginal communities to protect cultural heritage and rehabilitate the lands on which we operate. Strong working relationships develop during cultural heritage inspections and committee meetings, archaeological excavations and the relocation and development of "keeping places" for culturally significant objects, and training and induction programs for cultural awareness and cultural heritage management are conducted throughout our company.

All of Peabody's Australian mines have agreements that provide employment opportunities for local indigenous populations. To improve recruitment and retention strategies, employees were given the opportunity in 2016 to self-report on their heritage. Results have provided valuable baseline data on workforce demographics that will serve to enhance reporting capabilities and mentoring opportunities and ideally contribute to recruiting and maintaining a more diverse workforce.

Employee Development and Training

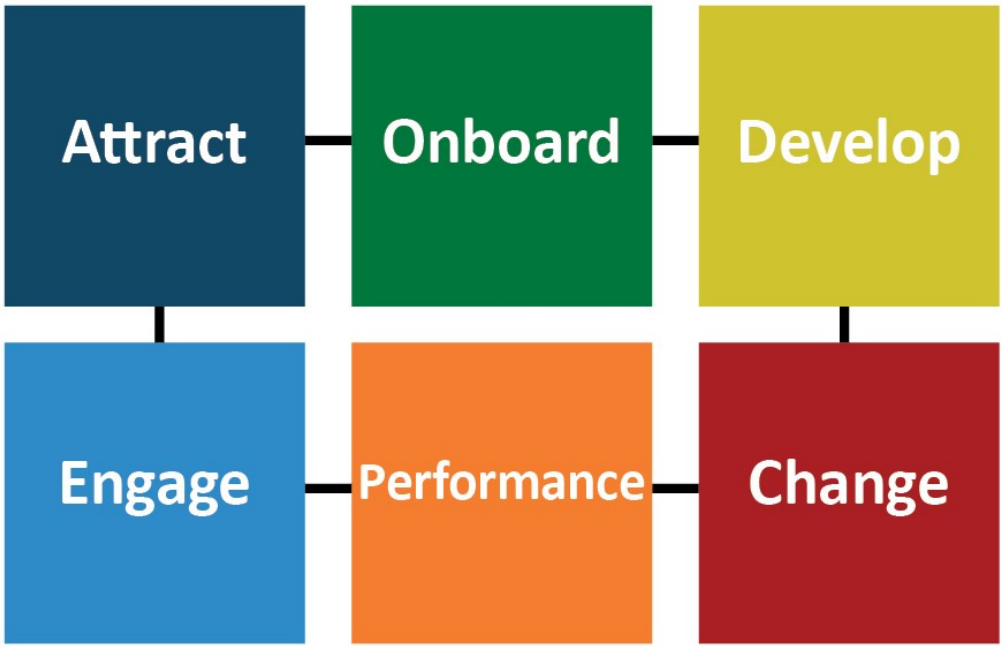
Our People value highlights the importance of creating an inclusive work environment that engages, recognizes and develops employees. Opportunities for career development and training programs support professional growth and foster an empowered and collaborative workforce that values safety, continuous improvement, innovation and creativity.

Learning and Development Programs

Peabody's global Leadership Development Program for supervisors and managers works to enhance employees' leadership capabilities in safety and continuous improvement. The four-month program is sponsored and facilitated by company leaders, and its cohorts are trained on skills and tools that can be applied immediately in the workplace. Through the course, employees have generated ideas and implemented projects resulting in meaningful continuous improvement initiatives and cost

savings. A post-program review of graduates showed improvements in 11 of 13 of Peabody's leadership competencies. A majority of participants feel more confident as leaders as a result of the program and report they continue to focus on their development and apply program concepts one year after graduation.

In 2016, Peabody's Human Resources function designed an online Manager Toolkit to help people managers build and lead effective teams while enhancing their own leadership development. Its content is reflective of career stages and professional development, starting with attracting, onboarding, developing and engaging employees, and then focusing on continuous improvement by driving performance and supporting employees in adapting to and affecting change in the workplace.



Clicking on the corresponding section of Peabody's online Manager Toolkit unlocks resources for employee and manager development throughout the many phases of the employee lifecycle.

Retaining and developing Peabody's technical talent is also critical to the company's success. In Australia, development programs take place at both operations and corporate locations. A fully structured two-year Graduate Development Program is offered, which provides the opportunity to experience work at each mine while building relationships. Over the course of the program, graduates are rotated across different sites, allowing greater exposure to our mining operations.

In 2016, the company invested $2 million in its four-year Australian Apprenticeship Program, which ensures participating individuals are trained and "job ready" when a position becomes available on site. Peabody's Australian Vacation Program continues to support students looking for valuable work experience to complement their discipline of study. The 12-week vocational program is popular among students studying mining, process and mechanical engineering, environmental, human resources, geology and accounting during regularly scheduled seasonal breaks. Unpaid work experience programs at our operations also give students the ability to "job shadow" professionals to gain a better understanding of their work.

From Issue to Innovation

Jon Halverson, a Drill and Blast Supervisor at North Antelope Rochelle Mine (NARM), was one of 76 employees to complete Peabody's Leadership Development Program in 2016. During the course, Jon zeroed in on reducing coal loss from over-drilling, an investigation that began with a safety concern and resulted in safety improvements, enhanced communication, production efficiencies and dramatic cost savings.

After a drill tipped on its side at NARM, attention was drawn to the coal underneath. It was observed that the coal was uneven, requiring extensive maneuvering to drill it, and that significant coal loss was occurring.

"If coal is really rough, something is happening to cause it, and it usually means coal is getting wasted," says Jon. This prompted him to review drilling practices and dragline bucket operations, and a snowball effect between the issues that contributed to coal loss.

At NARM, cast drills were over-drilling holes down into the top of coal. So when a cast shot was detonated, the top of coal would be fragmented or shot off. And because the highwall was too hard for a dragline to dig, the dragline bucket would be dragged across the top of coal, resulting in a fair share of coal getting thrown into the spoil pile instead of loaded into trains.

To solve the issue, top of coal needed to be made smooth, and through Jon's investigation, changes have been made. Drillers now drill to an optimal design depth, and quality control tools include a map that designates drill holes and associated operator names to ensure accountability. Cast drilling patterns were also changed to eliminate over-drilling of holes and prevent hard digging for draglines. The results are evident: "If the top of coal is not shot and is left hard, then it is a lot smoother, and there is more coal to ship because it's not in the spoil pile."

At NARM, top of coal has improved immensely, coal recovery and dragline production have gone up, and most importantly, safety incidents have gone down. According to Jon, "People feel more comfortable doing their job. We are still working on it and continually trying to improve our results and maximize the benefits for the company. With a few minor changes and some good conversations, we are saving revenue now."

"I wouldn't have these opportunities to explore ideas and projects if it wasn't for the Learning and Development Program I was involved in," says Jon. "My team leader at the mine also went through the course and has been influential for me. It is very inspiring when a team leader wants me to succeed as well."

A comparison of "rough coal" (left), which contributed to coal loss and safety risks, and "smooth coal" (center) in the same pit. Top of coal is now a priority that needs to be addressed before mining operations begin at Peabody's surface mines, thanks to Jon Halverson's (right) investigation.

Health and Wellness

Peabody employees are supported with health care benefits that are competitive within the industry and the majority of large employers. Our goal is to improve the health and wellness of employees by managing medical plan costs to ensure the company can sustain future programs and by focusing on prevention and physical fitness to encourage a healthier workforce.

In 2016, Peabody's Arclar Complex in Illinois launched a fitness program that offers convenient, on-site access to cardio and strength-training equipment, giving employees more opportunity to monitor their overall health. In response to an employee survey that revealed a variety of musculoskeletal discomforts, an early intervention program was introduced. Circumventing potential occupational or non-occupational injuries at the early stage of onset is key to preventing injury, so the program includes an intervention specialist who provides prevention tips and treatment for minor musculoskeletal irritations, as well as relevant safety tips for mine crews.

In the U.S., Peabody offers a variety of health programs and initiatives. Well-baby checkups, dental cleanings, vaccinations and annual physical exams are 100 percent covered, and a $150 incentive for both employees and their covered spouses who complete an annual physical exam is offered, with 40 percent of eligible U.S. candidates utilizing this program during 2016. Mammography screenings and free worksite flu shots are available, and employees may also elect to receive the flu vaccine from a network pharmacy or their doctor. Health club and Weight Watchers® membership reimbursements encourage a healthy lifestyle, while a tobacco cessation program offers counseling and nicotine replacement therapy. The "Healthy Smiles, Healthy Lives" dental program provides pregnant women and employees with certain medical conditions extra preventive dental exams and cleanings. Additional benefits as part of a comprehensive wellness package are available to U.S. employees including:

- Employee Assistance Program that provides counseling and comprehensive life management services;
- Short- and long-term disability coverage;
- Life insurance;
- Accidental death and dismemberment coverage;
- Business travel accident coverage;
- Adoption assistance to help offset expenses;
- Tax-free flexible spending accounts (FSA);
- Tax-free health savings account (HSA) with an annual contribution from Peabody; and
- 401K match program.

Peabody offers other employee benefits, including vacation and holidays, tuition assistance, philanthropic matching of employee charitable donations and "Dollars for Doers" volunteer hours, and an off-site team volunteer program at the St. Louis office.

In Australia, employees' universal health care coverage is supplemented with Peabody's "whole approach" remuneration package, which also includes an Employee Assistance Program that benefits employees and their families from a health and wellness and social and financial aspect. Site-specific initiatives include worksite flu shots, skin cancer checks, tobacco-cessation programs, dietary and exercise information and coaching, mental health promotion and men's health programs.

Peabody employees focus on health and wellness initiatives outside of work. Across all our sites, many individuals are involved in sporting initiatives or help to sponsor events for community wellness. In 2016, a group from Wilpinjong Mine participated in the inaugural Coal Mines Cup at the Mudgee Running Festival, receiving first place honors and raising funds for local disability services provider, Lifeskills.

EXCELLENCE

We are accountable for our own success. We operate cost-competitive mines by applying continuous improvement and technology-driven solutions.

A Culture of Continuous Improvement

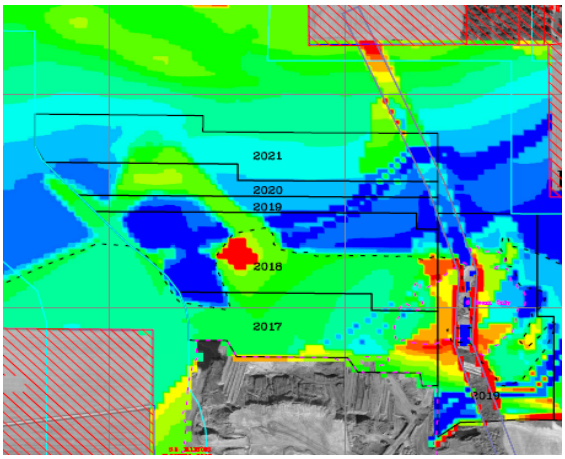
Even against a challenging industry backdrop, with Safety as its first value, Peabody worked to operate cost-competitive and cost-effective operations throughout 2016. Driving improvement in safety, productivity and costs has long been a part of Peabody's culture, and many of the most inventive ideas and technology innovations come directly from our workforce, with best practices shared across operations. In 2016 it was no exception, with several "employee-born" initiatives and companywide programs leading to advancements in our three areas of emphasis – Operational, Portfolio and Financial.

Cost Effective and Cost Competitive

Peabody's Americas division remained competitive during 2016 by driving continuous improvement efforts related to higher equipment utilization and enhanced productivity at the mining face. For instance, enhanced communications between operators, supervisors and dispatchers, like the use of real-time data and metrics to improve visibility of issues early in the shift cycle rather than at shift's end, enabled crews to gain insight on potential bottlenecks that impede shovel-truck circuit performance. This real-time reporting minimized production losses before they could occur and identified solutions that led to productivity gains. A competitive process for capital expenditures among Americas operations was also implemented in 2016, where mine management teams compete for capital dollars by demonstrating a high return on investment and quick payback, with the goal of lower unit costs.

Peabody's Data Analytics Platform shows how cost savings are achieved through advanced technology. The system collects, and through diagnostic tools, analyzes data to provide business insights for decision makers on real-time key performance indicators for Mining Operations, Safety, Production and Supply Chain Management functions. Peabody's Supply Chain Management has utilized the platform to support a Warranty Management system, which helps correct master data to identify high dollar components missing warranty masters. In 2016, more than 600,000 part numbers were vetted to correct over 4,800 records, resulting in $1.3 million in warranty recoveries. About $111 million in warranty recoveries have been realized since the system was implemented in 2012.

Continuous improvement entails the sharing of leading practices across Peabody's business platforms. First introduced at our Australian operations, an innovative margin ranking system to direct the mining of reserves is now used at several mines in the Americas. A color-coded map helps mines identify the cost associated with the activities that each type of equipment will perform on a current mining block as well as future reserves in that area, thereby maximizing the production capabilities of operators and equipment. Margin ranking is a powerful tool and has optimized productivity for each mine where it is utilized by identifying locations that will return the lowest cost per ton, and it influenced El Segundo Mine to change its medium- and long-term mine plan.



A map reflecting margin ranking becomes the basis for how Peabody will mine its reserves.

Project Excellence

For several years, Peabody has been on a journey to reposition the Australian platform with a strategic focus on our core value of Excellence. The Project Excellence program drives initiatives critical to the platform's sustainability. Without compromising safety, the goal of Project Excellence is to operate cash positive mines and embed continuous improvement initiatives like cost containment activities and productivity improvements in maintenance, labor and materials as a way of life and competitive advantage, no matter what the market conditions.

Project Excellence continues to produce results for the Australia platform, with fiscal year 2016 savings of A$248 million, 22 percent above the target of A$203 million. Strong cash generation across the platform resulted in Australia being cash positive in its own right, and its 2016 EBITDA of US$201 million produced its strongest annual result since 2012.

Project Excellence builds upon prior cost containment activities implemented during the Australian platform's repositioning project that saved Peabody more than $680 million in recent years. Employees contributed to these efforts by integrating continuous improvement into their everyday environment. Results continue to be evidenced, with a further 4 percent cost per ton reduction in 2016 following a 24 percent cost per ton reduction the prior year, despite reduced sales volumes.

Project Excellence in Action

The process team working with the North Goonyella Coal Handling and Preparation Plant in Queensland was charged with investigating alternative solutions to reducing fine coal losses. As the majority of cost estimates had previously included building more bays into the current plant to provide additional capacity, the challenge was to increase capacity within the existing plant structure. The team designed and installed an additional coal flotation circuit inside the current plant, which increased capacity to capture the majority of lost coal from the fine coal circuit. By utilizing a low-cost supplier, 80 percent of the benefit of a full-scale major plant extension was realized for only 20 percent of the original capital cost for similar expansions.

At Wilpinjong Mine in New South Wales, a check-in/check-out tracking system at the tool store was lauded by the Australia Department of Industry as an "industry best practice" during a routine inspection. Employees who use tools are assigned tags that are then placed on a shadow board when an item is removed and replaced when the tool is returned. This very simple, yet effective system enabled a means of tool traceability, which decreased time wasted in locating the required tooling, resulting in increased productivity. The system has also helped increase the life span of tooling, in turn reducing the expenditure for replacement tools.

The maintenance team at Millennium Mine in Queensland adopted a continuous improvement mindset to save nearly $300,000 against the maintenance forecast while increasing efficiency by creating a solution for on-site repairs on large equipment. Rather than incur crane and transport expenses by moving the mine's SH1003 dipper (also known as a bucket) offsite for scheduled repairs, the machinery was pulled into location, mounted on a skid plate and pushed by an 845K wheel dozer into the mine's old workshop for maintenance. The safe, efficient and weatherproof location allows constant project oversight and also achieves savings through use of site maintenance personnel, parts and consumables. Three additional on-site bucket repairs on smaller machinery saved on average $60,000 each.

Peabody People – Innovators, Inventors

Now in its seventh year, Peabody's Safety Innovation Awards encourage employees to develop safe and ingenious solutions to common challenges. The result produces pioneering innovations that significantly improve safety and often create time and cost efficiencies, boost productivity and can be shared across the workforce and potentially the industry. In 2016, 27 original ideas and inventions were submitted by Peabody's global workforce.

Achieving First Place and Most Transferable was Wilpinjong Mine's 789D dump body stand and access platform, which creates a safe and level platform for maintenance in and access to the haul truck bed. When Wilpinjong was due to make liner package installments on their 789D dump trucks, the team needed access to the work area without exposure to risks associated with being at heights. It also required a level area and an observation position isolated from the dump truck to perform the job. Historically, the task had been completed by removing the dump truck tray from the body, incurring significant cost and posing multiple risks, including loss of balance, being under a suspended load and height exposure, given no stand at the site was capable of reaching the height required to safely gain access for the task.

When no favorable industry solution was found, the mine team created a CAT 789D dump body stand and rear tray access platform. The stand adjusts the dump body's natural resting angle to a horizontal surface, creating a level floor surface for work within the dump body. It is installed by a forklift, negating any manual handling risk and allowing the installer to avoid crush risk under a suspended load. The access platform, which is moved via forklift, aligns perfectly with the truck tray to eliminate any gap or trip hazard, creating a safe and compliant access point to the dump body. Its gates are designed to prevent exposure to open edges or stairs.

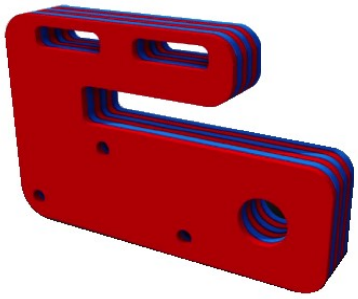
The dump body stand and access platform boast castor wheels for ease of mobility on a concrete floor, adjustable stabilizer legs to align the access platform with the tray and eliminate trip hazards, forklift tine slots for maneuverability, slide-out handrails and access gates that are designed to open inward, preventing unwanted exposure to edges and stairs.

Second Place Honors

At Colorado's Twentymile Mine, a multi-stage pump longwall ventilation system was invented in response to risk of spontaneous combustion.

Through a borehole piped into the mined-out area, harmful mine gases can be removed from behind the advancing longwall directly to the surface, eliminating the risk of employees traveling into an area with low oxygen or high methane, carbon monoxide and carbon dioxide, and reducing spontaneous combustion risks. This first-of-its-kind system uses technology and design that is safer and more effective than the solution that was mandated by the Mine Safety and Health Administration. It also boasts millions of dollars in cost savings versus other fixes and could be used at other longwall mines with a high propensity for spontaneous combustion.

Third Place and Most Original



When a shovel is stuck in soft material that is inaccessible by tools and cranes, retrieval means individuals must crawl under machinery to install a 200-plus pound tow hook, a procedure that is complicated by ground conditions, poses multiple hazards, and at Peabody's North Antelope Rochelle Mine in Wyoming, contributed to a reportable injury when a finger was pinched.

To solve this, the mine partnered with a vendor to design a shovel tow hook that is split into six individual, half-inch laminate layers that are then bolted together to make the three-inch-thick device pictured here. The individual 40-pound pieces reduce manual lift, and an engineered hand-hold built into each piece make installing and removing the hook far less likely to cause injury.

Most Cost-Effective Safety Solution

After a tray on a Komatsu 830E truck suddenly dropped while dumping due to cracking and failure of the hoist cylinder trunnion, the original equipment manufacturer advised the only means to verify cracking was to completely remove the hoist cylinders from the trunnions, complete a full inspection of the part and refit the cylinders, which would require two fitters and eight hours to complete. Mine employees at Moorvale devised a solution to save time, avoid the risk of working beside a suspended load and reduce manual handling exposure risks by creating a trunnion extension. The part bolts on to the hoist trunnion and allows the hoist cylinder to slide across, providing sufficient room to crack test the hoist trunnion, while also allowing more frequent inspections to monitor for potential failures. The design and concept afford transferability, as it may be applied to any truck haul fleet.

Most Effective Safety Solution

Wilpinjong Mine was asked to partner with the University of Queensland and Caterpillar to develop a semi-autonomous tractor system in a pivot push dozer trial. The innovation, recognized as Most Effective Safety Solution, means a remote operator station can be used for pivot push dozing capability, using non-line-of-site remote control technology. With the operator isolated from the machine, exposure to unhealthy levels of whole body vibration and noise are reduced, as is exposure to dozer-related injury from accessing machinery and other mine hazards.

Various components installed on a semi-autonomous dozer enable it to be controlled from a remote station, promoting a safer, more efficient work environment.

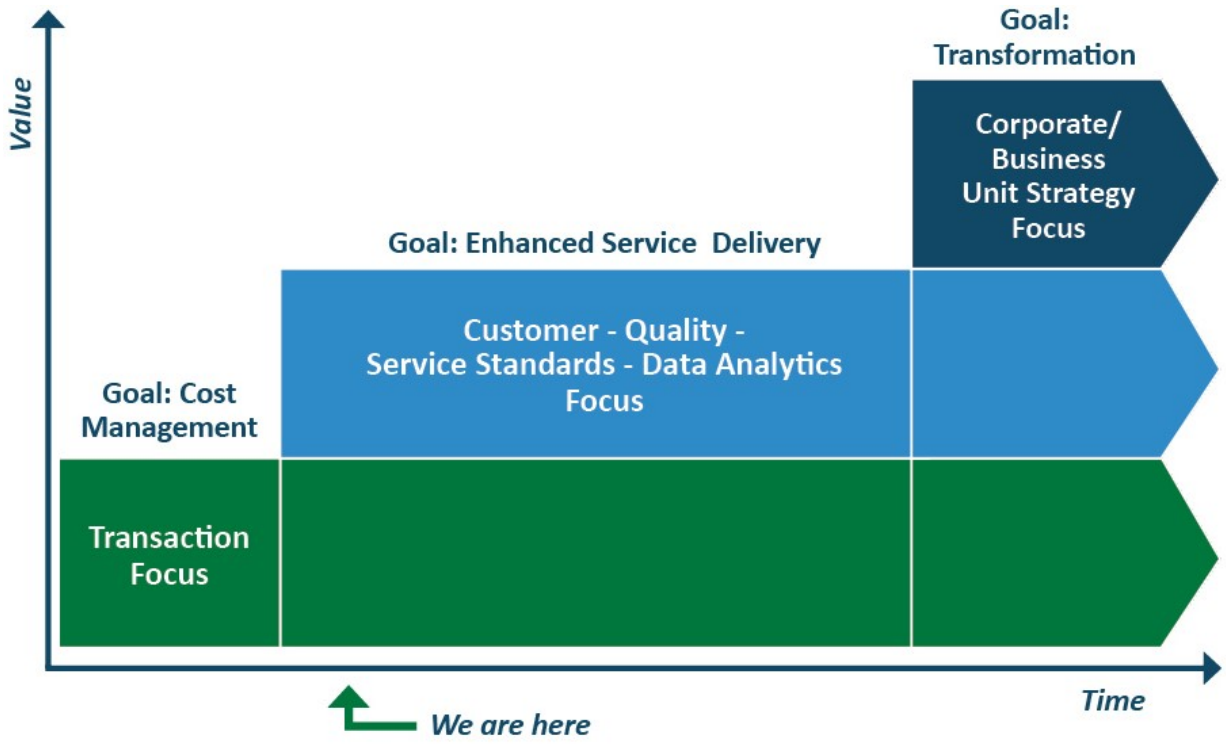
Shared Services Solutions

With a focus on operational excellence and financial discipline, in 2015 Peabody redesigned its operating model to create a global shared services platform that standardizes core processes throughout the company. The launch of Peabody Business Services (PBS) marked the company's shift toward increased efficiency and productivity worldwide by providing scalability and a lever to support strategic company initiatives.

In 2016, Peabody realized further benefits of PBS, as additional activities in procurement, sales accounting, human resource operations and benefits administration were transitioned in for global implementation. PBS was repositioned to an end-to-end, cross-trained organization. Investing 3,000 training and development hours into its people and simultaneously focusing on standardized transaction processing has enabled PBS to achieve impressive cost savings. In 2016, it operated approximately $1 million below budget, captured $5.6 million in annual run rate savings, identified another $2.5 million in sustainable cost savings and avoidance and mitigated working capital leakage from vendors.

A series of continuous improvement initiatives were launched by PBS in 2016 to accelerate process transformation and begin the next multi-year step in the shared services journey, focusing on enhanced value-driven service that will help PBS achieve its vision of being a trusted global partner to the business.

Peabody's Journey to a Shared Services Model



Building a shared services organization inside a corporation as large as Peabody is a process that takes years. PBS spent its first year focusing on centralizing transactions to achieve cost savings. During 2016, PBS began transforming into a value-driven service, closing expectation gaps with enhanced timeliness and accuracy, a higher level of customer service, transparency in requests and issues, bench strength, knowledge transfer, data insight and self-service access.

Exceeding Goals Energizes Employee

A major goal of the Workflow Management Team for 2016 was to find Peabody $300,000 in cost avoidance. Using skillful auditing and due diligence to ensure Peabody was being charged correctly for services rendered on invoices, the team hit the million-dollar mark in cost avoidance by the end of December, shattering their goal.

Rachel Minor, a specialist in PBS Service Management, says the team took their role in the project very seriously, and very personally. "The feeling I got when saving Peabody over $140,000 in cost avoidance on one invoice was like winning the lottery. Our goal was to find $25,000 a month, and the day I found this error already in February laid the groundwork to want to save Peabody as much as I could, and to exceed every goal we had moving forward," says Rachel, who discovered a supplier was double billing the company.

"When we think of Peabody's money as our own, it makes it that much more important to save as much as possible," says Rachel.

Rachel Minor

Continuous Improvement Enhances Culture

At the North Antelope Rochelle Mine (NARM) in Wyoming's Powder River Basin, an employee saw an opportunity to improve overburden truck shovel dig rates, which were performing below target for productivity and had been steadily declining for yards per productive hour since mid-2016. Jon Weslin, as a participant in Peabody's Leadership and Development Program, was tasked with identifying a variety of mechanisms to stop the downward trend.

As solutions were identified and implemented, the dig rate steadily and positively improved, and so did the mine's culture. "Changing culture for the sake of considering improvements is the first and foremost continuous improvement step," said Jon. "A big positive is that both are happening."

Learn how another innovative solution born out of Peabody's Leadership and Development Program – to reduce coal loss from over-drilling – has since become a priority for NARM in our People section.

A Challenge Overcome with Technology and Communications

Peabody continues to pioneer and enhance technical advances in mining, using technology and equipment to maximize safety and efficiency. At Millennium Mine, blasting in close proximity to a neighboring company's operation requires world-leading technology and increasingly complex patterns, using electronic detonation to manage vibration and dust. Millennium is located adjacent to Carborough Downs, an underground operation in Queensland's Bowen Basin. To access economic resources close to Carborough, Millennium needed to assume blasting inside the industry-standard exclusion zone of 600 meters. By using a new approach to communication and testing technical components, Millennium achieved access to lower cost reserves that would otherwise not have been available to them.

Embedding Communications: To ensure the safety of both operations' employees, Millennium's blasting crew introduced clear communication protocols and built trust to prove their efficacy. The mine advises Carborough at least 24 hours prior to a blast and meets with their senior personnel early on the day of a proposed blast to discuss vibration and fume management and wind direction. In the afternoon, balloons are released on Carborough's mining lease and are taken through a wind monitoring program to determine whether or not to fire a shot, a decision that is made as a joint responsibility. A leading practice in electronic detonation provides the highest levels of accuracy in modeling and predicting vibration, demonstrating that Millennium can comply with strict vibration limits and ensure the safety of underground portals and workings, offices and exhaust fans located on the lease boundary.

Enhancing Technology: Too much vibration during blasting poses hazards, like tripping a neighboring operation's ventilation system. So Millennium went to work on identifying enhancements to former blast management practices. To lessen vibration, the size of holes are reduced and multiple decks are used in the holes; rather than being condensed, explosives are spread over a longer column and each deck within a column is fired with an extended timing delay. The mine also switched to an electronic detonator system, which allows for more complex timing and vibration modeling during detonation. The biggest shot in close proximity involved 5,200 electronic detonators, sequentially firing during a total timeframe of 10 seconds to reduce the compounding effect of each detonation over time. Modeling technology that involves the projection of a blast's vibration was also introduced, and the vibration model has been calibrated to more accurately reflect actual vibration results, which are monitored by both operations at critical locations.

Results: Peabody mined an additional 2 metric tons of reserves close to Carborough in 2016, and the potential to continue blasting within up to 300 meters of the mine is being investigated, potentially creating access to an additional 1 metric ton of low-cost reserves. Environmental compliance for blast management has improved, and the enhanced blast management modeling technology and systems used are applicable for close proximity blasting at other Peabody operations.

Millennium Mine blast team members mined an additional 2 metric tons of reserves in 2016 due to innovations they introduced for close proximity blasting.

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,[1] and fossil fuel use is expected to play a significant role in coming years.[2] 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.

[1] *International Energy Agency, World Energy Outlook 2016.*
[2] *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_2). 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_2 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_2 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.[3]

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_2 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.[4]

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.

[3] *NEORI.org. Web. 17 March 2017.*
[4] *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.[5]

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. 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.

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[5] *"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.

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 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.

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.

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.

SUSTAINABILITY

We take responsibility for the environment, benefit our communities and restore the land for generations that follow.

Environmental Excellence

Stewardship of the environment and respect for the natural world are core to the way Peabody operates. Our environmental commitments extend from successful land restoration to energy efficiency, to recycling and water use management. Our environmental policies and programs are designed to ensure that coal mining and land end use benefit society and achieve compliance with legal and regulatory requirements.

Peabody, like many responsible coal producers, views land restoration as an imperative part of the mining process. In 2016, the company restored 6,450 acres of mined lands into rangeland, wildlife habitat, hardwood forests, prime farmland and wetlands, including 1,220 acres of forested area, 52 acres of wetlands and more than 10 miles of high-quality streams. In addition, Peabody planted 752,635 trees, 70 percent more than the prior year.

Over the past decade, Peabody has spent $177 million to restore over 49,000 acres of land and has contributed more than $530 million to the Abandoned Mine Lands program, which was intended for the reclamation of lands mined before the Surface Mine and Control Reclamation Act (SMCRA) of 1977.

Peabody accelerated its restoration activities at active and closed sites, reclaiming approximately 80 percent more land than what was disturbed during 2016.

In 2016, Peabody continued implementation of environmental reporting for six indicators in accordance with the Global Reporting Initiative (GRI). The GRI framework for sustainability reporting includes reporting guidelines, sector guidance and other resources that enable greater organizational transparency and accountability.

Peabody Position on Energy and Climate Change

Peabody believes that coal is a key contributor to affordable, reliable energy, and that fossil fuels will continue to play a significant role in the global energy mix.[1] The company also recognizes that these fuels contribute to greenhouse gas emissions, and concern regarding these emissions has become part of the global political, societal and regulatory landscape in which we operate.

Energy is foundational for individuals and economies and must be abundant, reliable and inexpensive to meet society's growing demand. Access to such energy is critical to meet basic needs, improve living standards, reduce poverty, enable urbanization and strengthen economies. In addition, access to low-cost energy is correlated with human development indicators such as increased life expectancy, education and economic development.

Within the energy mix, fossil fuels are essential and satisfy approximately 80 percent of the world's primary energy demand.[2] Coal plays a fundamental role in generating electricity and is a required component in new steel production.

Our approach to using the world's coal resources is grounded in the need to achieve the three-part goals of energy security, economic progress and environmental solutions through the application of advanced technologies.

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[1] *Wood Mackenzie, "Energy View to 2035," March 2017.*
[2] *International Energy Agency, World Energy Outlook, 2016.*

The world needs to embrace a true "all-of-the-above" energy strategy that recognizes the benefits and limitations for each fuel. Coal's advantages include a track record of reliability and scalability, affordability and security of supply.

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. As such, they should be eligible to receive public funding from national and international sources. In addition, CCUS must receive policy parity with all low-emission sources of energy and further public investments in research and development are necessary.

Peabody will continue to endeavor to reduce our carbon footprint and promote the development and deployment of low-carbon technologies by:

- Conserving energy and reducing greenhouse gas intensity at our operations when possible through energy efficiency and other best practices;
- Funding research and key initiatives in low-emissions projects and partnerships such as those already advancing in the U.S., Australia and China;
- Playing a leadership role in the development of public policies related to energy and the environment;
- Engaging with governments, academia, communities and other stakeholders to support constructive and informed dialogue; and
- Building awareness and support to eliminate energy poverty, increase access to low-cost electricity and improve emissions through advanced clean coal technologies.

Environmental Compliance and Oversight

Environmental initiatives begin with assessments that are conducted before any mining activity starts and include comprehensive baseline studies of local ecosystems and land uses. Detailed post-mining plans are researched, designed and approved through state and federal agencies. Contemporaneous land restoration provides for the minimal amount of surface disturbance, and ongoing monitoring and dialogue with regulators allow the company to measure results and adjust to changing conditions.

All active operations are inspected by various federal, state and local government agencies at least once per month in the U.S. and regularly in Australia. Peabody goes beyond these requirements by performing regular environmental reviews at all operations that include an assessment of current processes and provide opportunities for sharing best management practices among the various sites. Reviews also verify compliance with applicable laws and permits, provide recommendations to improve current practices and ensure that Peabody's workforce is trained to adhere to mandatory procedures and updates to regulatory requirements and permit stipulations.

Building lasting alliances in communities where the company operates is accomplished through Peabody's well-trained and experienced team that supports global operations in the U.S. and Australia. Before mining, the company engages where possible with local stakeholders to understand and incorporate social, cultural and traditional values and community needs in mine planning. Committees and other partnerships enable the company to promptly return mined lands to the original or an agreed upon final land use.

Verifying Vegetation Success at U.S. Operations

Vegetation is an important ecological component of post-mining land use and is achieved through revegetation during the restoration process. For Peabody's U.S. mines, demonstrating successful revegetation by measuring vegetation cover, production, shrub density and species diversity/composition is an important indicator and required regulatory step in obtaining approval of final reclamation success and bond release from federal and state authorities.

Each of Peabody's mines has specific vegetation criteria, and operations must meet or exceed the requirements of the Surface Mining Control and Reclamation Act. Due to the complexity of vegetation sampling and the magnitude of reclaimed areas, Peabody works closely with regulators to determine and agree on sampling plans, evaluation methods and coordination of efforts to collect results.

2016 marked the largest sampling project to ever be conducted at Peabody's U.S. Western operations, and is one of many planned to demonstrate successful vegetation in accordance with federal and state approved plans. Despite site-specific challenges ranging from drought conditions to changes in livestock grazing plans, more than 18,000 acres of reclaimed land was sampled and analyzed, and over 1,800 samples were collected.

Revegetation sampling at Peabody's Wyoming, Colorado, Arizona and New Mexico operations in 2016 will continue in collaboration with federal and state regulators to evaluate data and demonstrate revegetation success for final bond release.

2016 Environmental Achievements

When it comes to the environment, Peabody acts in a sustainable manner because it is both good business and the right thing to do. Peabody's environmental restoration and remediation efforts have been recognized with 69 environmental honors over the last 10 years. In 2016, Peabody was recognized for environmental leadership and earned the following honors:

The London-based Capital Finance International named Peabody "2016 Best ESG – Responsible Mining Company – Global," recognizing the company's excellence in environmental, social and governance standards and performance. Judges credited Peabody as being a "pioneer in the move toward sustainable business practice."

Peabody was awarded the highest honor presented by the Indiana Society of Mining Reclamation with a 2016 Excellence in Mining and Reclamation Award for an ecological approach to restoration at the former Viking Mine-Knox Pit. The honor recognizes efforts to reclaim prime farmland and wildlife habitat, improve stream water quality and enhance riparian and aquatic habitat. The work at Viking included reclaiming pre-SMCRA refuse areas that were left in the mine lease area by a previous owner, which improved stream water quality.

The Colorado Mining Association, the Colorado Division of Reclamation Mining & Safety and the Colorado Mined Land Reclamation Board recognized Peabody's Sage Creek Mine for achieving Phase III bond release by completing reclamation of more than 1,000 acres. Top honors were also bestowed on a Peabody reclaimed mine, Seneca II, for our efforts in restoring all of the land the company has mined since operations commenced in 1968, achieving full Phase III bond release. Seneca II and Yoast Mine also gained recognition for innovative practices for the development and use of a Geographic Information System to assist in tracking bond release.

Environmental Leading Practices in Land Restoration and Bond Release

The company conducts extensive planning well in advance of mining, and lands are restored contemporaneously as mining proceeds. In any given year, land reclamation activities can vary due to production, weather conditions and other unforeseen factors. As a result, in any one year Peabody restores varying quantities of farmland, pastureland, rangeland, forest, wetlands and wildlife habitat.

In 2016, Peabody's successful land stewardship achieved 1.8 acres of reclamation for every acre disturbed in mining activities.

The company funds every dollar of its coal mine restoration and pays tens of millions of dollars each year to a fund for the reclamation of lands mined before the Surface Mine and Control Reclamation Act of 1977. Peabody remains focused on restoring the land and providing assurances for future obligations. Bonds are released on a broad array of properties and fluctuate depending on mining and reclamation needs in a given period. In 2016, the company fully released 7,320 acres from bond and reduced its calculated bond liability by $300 million.

Peabody aims to commence restoration of the post-mine landscape as soon as land becomes available and to create a safe, stable, non-polluting and sustainable landform that benefits generations to follow and is undertaken on a progressive basis with consultation between the environmental, technical services and production teams.

Land Restoration in the Americas

The company is committed to implementing environmental leading practices across our global platform. Our work at Big Creek in Warrick County, Indiana, demonstrates this commitment. A long history of mining has occurred in the Big Creek Watershed dating back to the 1940s, including active mining operations today. In an effort to mitigate the cumulative impacts to the watershed, Peabody reclaimed over a half mile reach of the existing dredged and straightened Big Creek channel in 2016 and additional restoration is planned for 2017. The goal of the project is to reestablish a hydrologic

connection with the historic floodplain and to develop stable habitat. The project marks Peabody's first implementation of toe wood structure in a channel, a method that incorporates live, native woody material along an outside stream bank. The live cuttings grow quickly and develop dense roots to promote bank stability, and the submerged matrix of logs, roots, branches, brush and soil create and enhance fish habitat and food chains while assisting stream stability.

Willow tree cuttings were installed as toe wood in three locations along the restored stream channel to provide high-level habitat for both aquatic and terrestrial fauna. Here, woody material purposefully protrudes along the outside bend of the Big Creek channel.

Land as Beautiful as Before

Reclaimed coal mine lands are amazing to behold. "You'll never even know we were here when we're done," says Mary DeRudder, an equipment operator who is part of the Powder River Basin operations and reclamation team that works to restore land at North Antelope Rochelle Mine (NARM), the world's largest coal mine. "It's a pretty neat feeling doing something that will restore land to how it was before. I'm pretty proud of what I do."

The care taken to restore mined lands at NARM and all of Peabody's operations is remarkable, embedded in our values, and leaves a lasting legacy. "All the work is top-notch. You can see the land is just as beautiful as before," says Mary.

Left: Mary DeRudder, Powder River Basin equipment operator and 30-year mining veteran. Right: Peabody employees survey reclaimed land outside of Peabody's North Antelope Rochelle Mine in Wyoming's Powder River Basin, which has shipped over 2 billion tons of coal.

Land Rehabilitation in Australia

In Australia, Peabody's commitment to land rehabilitation continued during 2016, with 1,564 acres rehabilitated across our Queensland and New South Wales mines.

Land rehabilitation programs utilize different methodologies, depending on the land type and desired post-mine land outcomes. For Peabody's Queensland operations, which are located in the central part of the state, only a small window of opportunity exists for rehabilitation practices involving seed germination, the wet season. But this season brings rainfall deluges that can damage rehabilitation before vegetation even has opportunity to establish and provide a protective cover. To compensate, the Environment team at the Moorvale and Coppabella sites install water management structures like contour banks, spine drains and sediment basins, which help with drainage. The team also utilizes topsoil, which provides a growth medium for the seeds, and deep ripping, which ensures maximum water retention over the seed to encourage germination and strike. Rehabilitation plans don't end there, however. Maintenance of drainage structures, cleaning sediment basins and contouring banks will occur for a few years before finally removing them when the landform is stable. Upkeep of the established rehabilitation area may also be required, involving cultivating and reseeding if the seed strike is not efficient. This remediation phase of land rehabilitation is necessary to ensure the final product is one that Peabody can proudly hand back to surrounding land users.

Draining

Reseeding

Monitoring

In 2016, rehabilitation and remediation programs across Moorvale and Coppabella Mines totaled 899 acres and were shared with members of Queensland's Department of Environment and Heritage Protection who stated it was "invaluable" to their understanding of the rehabilitation process.

During 2016, Australia continued an extensive rehabilitation monitoring program aimed at measuring reclamation success across the company's operations. The monitoring helps the sites understand what, if any, maintenance and management requirements are needed, ensuring the rehabilitation is of a standard to meet success criteria. In Queensland, approximately 4,450 acres of reclamation aged from 12 months to over 15 years were monitored during 2016, and 16 reference sites to compare rehabilitation progress were established and monitored.

Throughout 2016, an environmental compliance framework continued to be refined by the organization. The framework tracks environmental corrective and preventative actions, metrics to enable collection, storage and analysis of sustainability data for internal and external reporting requirements, an integrated incident reporting system and the tracking of legislative changes. Internal compliance assessments are undertaken at all sites on a biennial basis.

Australia also established an environmental risk management committee in 2016 to provide governance oversight for environmental business risks and opportunities such as water management, coal waste and mine closures. The committee is tasked with ensuring a consistent approach is taken

A number of Peabody's Australian operations imported topsoil ameliorants, like manure and bio-solids, to assist with providing necessary organic material for improved soil structure and rehabilitation success. Here, cover crop is plowed into topsoil at Wilpinjong.

in the management of these issues, while encouraging continuous improvement. One committee outcome was the endorsement of the mine closure guideline, an initiative created by Peabody that outlines activities and projects that must be completed at each point in a mine's life and that promotes integrated mine planning and improving environmental, social and financial outcomes.

Effective stakeholder consultation is an important component of the closure guideline. Wilkie Creek, which ceased operations in 2013, is currently implementing its closure plan. During 2016, a stakeholder workshop that included a mine and rehabilitated landform tour was held at Wilkie Creek, allowing neighbors, land holders, government representatives, mining industry and alliance groups to learn about the closure and relinquishment process, and to generate feedback on post-mining land uses and landforms proposed for the mine. More stakeholder engagement activities are proposed for 2017.

Progressive rehabilitation at Wilkie Creek was fully completed in 2016, totaling 1,426 acres – 100 percent of available land. A recent demonstration at the former mine site enabled a grazier to successfully rotate 70-plus cattle from her drought-affected property to the rehabilitated land, showcasing the suitability of the proposed final land use, grazing.

The success of introducing cattle to Wilkie Creek's rehabilitation will be measured using Peabody Australia's rehabilitation monitoring guideline. Cattle are shown grazing over some of nearly 608 acres on a backfilled void area of the mine site. Additional areas for grazing will be established during 2017.

Environmental Outreach in the Community

Peabody continually works with its local communities to incorporate regional needs into mine planning, collaborating with local landowners, business interests and civic groups so that shared environmental objectives are achieved.

The Wyoming Department of Agriculture recognized Thunder Basin Grasslands Prairie Ecosystem Association (TBGPEA) in 2016 with its excellence in agriculture award for contributing to research in the Thunder Basin Grasslands. Peabody is a founding member of TBGPEA and participates through the organization by contributing financial support and data toward research into issues that influence our restoration program success, such as control of non-native invasive plants, sagebrush reclamation, wildlife/livestock interactions and wildfire reclamation, so that we and others may devise solutions for managing large landscapes for multiple ecosystem benefits.

At Peabody's Kayenta Mine, which operates on a remote highland plateau in northeast Arizona called the Black Mesa, home to the Navajo and Hopi reservations, immense focus is placed on community outreach to the tribes. Peabody has supplied the local communities with clean water since the company began operations there, maintaining two public water stands that provide a free source of potable water for residents and livestock. The Navajo Nation, through an Infrastructure Committee, elected to direct funds received from Peabody toward the Manymules Waterline Project.

The waterline distribution system broke ground in the summer of 2016 and will provide the necessary infrastructure to create a healthy foundation for the Navajo community for years to come. Upon completion, the approximately $21 million system is expected to serve more than 180 homes in the surrounding community. Phase one, slated for completion in summer 2017, will place over 17 miles of waterline to 41 homes.

Construction of the waterline is being done by Navajo Engineering Construction Authority, a tribal enterprise that competes for projects on the Navajo Nation. Some terrain is rocky, while other expanses are easier to navigate, since project design allowed for movement through Peabody's reclaimed areas.

Conservation of Wildlife

Because Peabody's mining activities may have the potential to occupy lands that are home to a variety of wildlife species, the company works in close collaboration with departments of natural resources and conservancy organizations to incorporate local needs into mine planning and post-mine land use, and to improve, replace and enhance vital wildlife habitat.

In Australia, conservation and care for wildlife and animals often involves supporting community groups. The Mudgee region, near Peabody's Wilpinjong Mine in New South Wales, is a very strong Angus cattle breeding district. The 18th annual Peabody Mudgee Angus Breeders Sale saw buying competition for more than 1,000 head, and Peabody's sponsorship showcased the steps the company takes to stabilize and improve the land and support district producers through wild dog and fox control, extra fencing and water facilities.

In the community of Singleton, near Peabody's Wambo Mine in New South Wales, Wildlife Aid Inc**.** has taken in many local animals that have been rescued by mine employees. A baby kangaroo was found with a puncture wound to its forehead and was rescued by Wambo employees and nursed to good health by Wildlife Aid workers. After 2½ years of care, "Jordy" grew to a healthy stage and was eventually released in 2016 to join wild kangaroos in the bush.

Wambo Mine employees have rescued many joeys, birds and reptiles over the years. Here, a joey named "Jordy" is shown being nursed to health by a Wildlife Aid volunteer after being rescued by mine employees. "Without the assistance of Peabody employees and staff, there are many young joeys that would never be given a chance," said Di Paice of Wildlife Aid.

In 2014, backwaters from the flooding Patoka River in Gibson County, Indiana, inundated a 92-acre final cut impoundment located on the reclaimed Francisco surface mine, which is just south of the river. Flood waters drowned vegetation established along the shoreline, leaving a barren to sparsely vegetated shore, but creating ideal nesting habitat for the Interior Least Tern, a small bird with a defined nesting season whose conservation status is considered endangered due to loss of suitable habitat.

After observing the Least Tern at the impoundment, Peabody worked with the U.S. Fish and Wildlife Service and the Indiana Department of Natural Resources to protect the species by initiating surveys to confirm nesting activity, which resulted in the development and implementation of a Least Tern Protection and Enhancement Plan. The plan includes signage identifying Least Tern nesting areas and limits activities during nesting season. Weekly surveys identify nesting sites and follow Least Tern activity, and a long-term plan establishes low-profile islands in the final cut impoundment, which will provide long-term nesting habitat compatible with the approved post-mine land use of the adjacent shoreline. An annual report of the survey results is also provided to the U.S. Fish and Wildlife Service and the Indiana Department of Natural Resources.

Least Tern nesting occurs from May through August. The birds are not migratory and use the established area for nesting and fishing. Up to 35 adult Least Terns with 25 nests and 18 fledglings were counted over the course of year at the reclaimed Francisco Mine, and the birds have since been observed nesting in other areas of the mine site.

Elk herd at the El Segundo complex in New Mexico take advantage of recently reclaimed areas of the mine. The elk prefer to graze on new vegetation consisting of grasses and shrub shoots and do not have to compete with domestic livestock on permitted areas.

Greenhouse Gas Intensity and Energy Efficiency

Mining energy requires energy, a paradox that presents a challenge and an opportunity. Peabody is focused on conserving power and reducing greenhouse gas intensity whenever possible through continual improvements in mine planning and engineering, use of advanced technologies and operational leading practices.

Greenhouse Gas Intensity

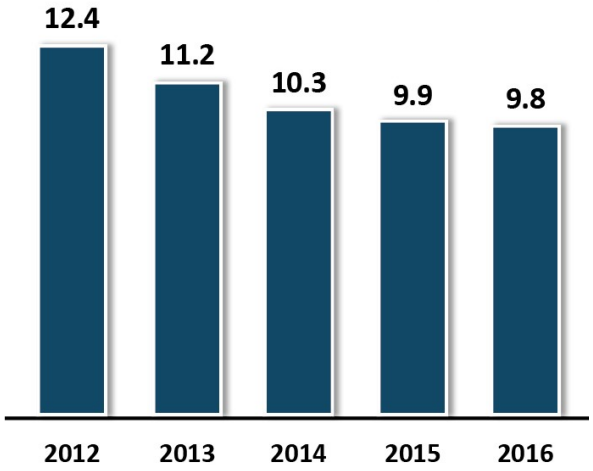
Peabody measures greenhouse gas emissions at our operations in pounds of carbon dioxide equivalent or CO_2e (CO_2, CH_4 and N_2O) per unit of production (raw tons of coal mined and cubic yards of overburden moved). In 2016, greenhouse gas intensity across our global operations was 9.8 CO_2e per unit, marking several consecutive years of a reduction in emissions levels.

Measurement and Mitigation

For years, Peabody's U.S. operations voluntarily reported greenhouse gas intensity in pounds of CO_2e per unit produced using U.S. Department of Energy (DOE) requirements under Section 1605(b) of the Energy Policy Act of 1992. Although the DOE program has since been suspended, the company continues to employ many of the same measurement factors.

Pounds of GHG Emitted (CO_2, CH_4 and N_2O) per Unit Produced

Including Mine Methane Emissions



At underground mines, the company monitors and reports greenhouse gas emissions to the Environmental Protection Agency by collecting air samples and performing data analysis. Each underground mine collects a monthly sample at each mine shaft or portal for laboratory testing of methane.

To perform a full emissions analysis, air quantity, temperature, barometric pressure and humidity are also captured. In addition, emissions from stationary equipment such as propane-based heaters are evaluated. From 2015 to 2016, the greenhouse gas emissions from ventilation and stationary sources for all Peabody underground mines, reported as CO_2e, had a net decrease of 21 percent. The improvement comes on top of emission declines made in prior years, achieved in part by sealing previously mined areas and reducing or eliminating propane heat for office use.

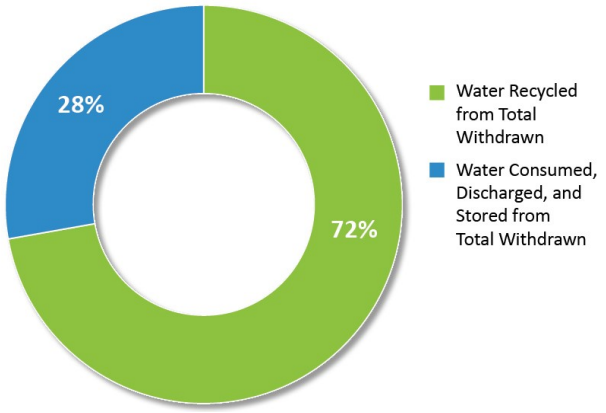
Global Reporting Initiative

In 2016, Peabody continued to report per the Global Reporting Initiative (GRI) framework for six specific indicators for water and waste: water withdrawals by source (surface water, groundwater, purchased water); water source significantly affected by withdrawal of water; percentage and total volume of water recycled and reused; total water discharged; water sources significantly affected by discharge; total weight of waste by type (hazardous waste/nonhazardous waste) and disposal method (landfilled, recycled, energy recovery, incinerated).

Water Use and Management

Peabody is focused on conserving water by pursuing sustainable coal mining practices everywhere the company operates. Coal mining is one of the least water intensive forms of resource extraction. The U.S. Geological Survey (USGS) reports that all forms of mining cumulatively withdrew 1 percent of water consumed in the U.S., with coal mining comprising less than 1 percent of that total.[3] In contrast, agriculture irrigation withdrawals account for 38 percent of total freshwater withdrawals according to the latest USGS 2010 report (published in 2014).

Percent Water Recycled of Total Withdrawn Globally



Water is used for exploration, mining, processing, land reclamation and drinking purposes. Water recycling and use varies by region, method of mining, equipment used and local availability. Operations in more arid environments consume less water and focus on conservation while mining operations in humid climates routinely manage surplus water from storms or groundwater and mitigate flood risk. In Australia, operations must manage excess water during wet cycles and manage for water shortages during dry cycles. The management and use of water at Peabody mines is done under extensive regulatory frameworks specific to the countries and regions where operations are located.

In 2016, water sources for Peabody mines included surface water (precipitation and runoff, rivers and streams, external surface water storages), ground water and municipal/purchased water. The primary water uses are for dust control and coal preparation plants. Minor amounts of water are used for mine location drinking water supply and sanitary purposes such as showers and equipment maintenance.

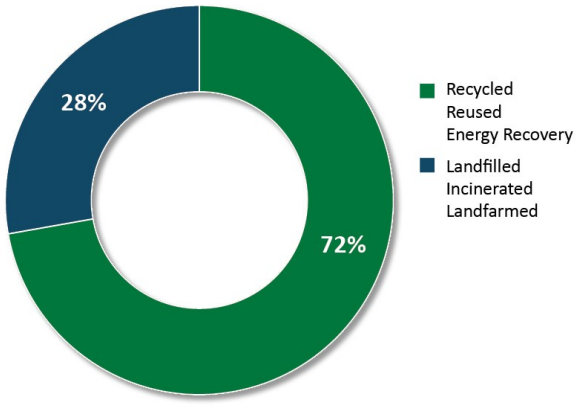
Peabody is committed to pursuing opportunities to reduce, reuse and recycle water whenever possible and about 72 percent of total water withdrawn, 30,816 megaliters, was recycled and reused in 2016. Examples of recycling and reuse at Peabody operations include the recycling of water at coal preparation plants, truck washes and coal storage areas. Peabody strives to use closed loop water circuits at coal preparation plants with the average preparation plants achieving 73 percent recycling rates.

[3] *Estimated Use of Water in the United States in 2005, 2009, United States Geological Survey, Circular: 1344, Figure 1, Total Water Withdrawals by Category, Page 5.; Estimated Use of Water in the United States in 2010, 2014, United States Geological Survey, Circular: 1405, Page 56.*

Recycling and Waste Management

Peabody's waste management strategy incorporates a variety of environmentally responsible practices that address regulatory requirements and sustainability practices. 37,800,801 kilograms of material was recycled and reused, and 2,159,084 kilograms of material was used for energy recovery in 2016. Recycled materials included batteries, steel, used oil filters, used oil, lighting products, computers and electronics, antifreeze, small vehicle tires and paper waste, as well as an increase in scrap steel from reclamation activities. Materials used in energy recovery included used oil, washer solvents and used grease. In 2016, recycling, reuse and energy recovery accounted for 72 percent of waste-disposal activities.

Recycled/Reused/Energy Recovery vs. Landfilled/Incinerated/Landfarmed



This riffle is located in a reclaimed stream at Peabody's Somerville Mine in southwestern Indiana. A riffle is a wide, shallow area in a stream channel and is biologically important to aquatic life. This photo captures an engineered structure, which contributes to channel stability while providing habitat and refuge for aquatic life. The top of the stream banks are planted with trees and other plants to provide sediment control, bank stability, and habitat and travel corridors for various species of birds and animals. Stream substrates include non-toxic rock, which provides habitat and spawning ground for invertebrates and fish. In most small streams, riffles support the main food base for the fish community. They also increase surface turbulence, thus enhancing dissolved O_2 levels below the riffle.

Economic Impact and Community Outreach

Across our global operations, Peabody works to improve lives and livelihoods in our communities through economic opportunities and our charitable giving programs. The company provides tangible economic benefits through its product, employment, payroll taxes, coal royalties and charitable contributions. Peabody also generates economic activity in other industries through the purchases it makes and from the wages its vendors pay their respective employees.

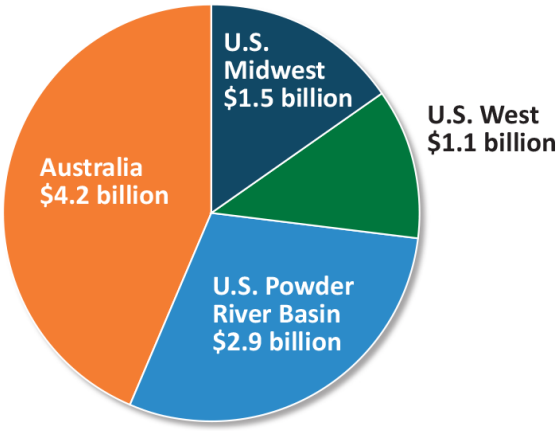
The coal industry returns significant benefits to the economy. Every dollar of output generates another one to two dollars in the economy. The coal industry offers some of the highest-paid and highest-skilled positions in many communities, and every job supports another two to three jobs in the economy.[4] In 2016, Peabody injected $9.7 billion in direct and indirect economic benefits into the local, state and provincial communities where we operate. This consists of $3.7 billion in direct contributions that create jobs and fuel prosperity, including wages, taxes, philanthropy, capital investments and vendor contracts.

Throughout 2016, even amidst a difficult industry backdrop and the company's filing of Chapter 11 bankruptcy, Peabody continued its legacy of supporting communities through outreach and charitable giving, with more than $1.2 million in philanthropic funding and scholarships directed primarily in and near the areas where the company has operations. Since 2010, Peabody has provided more than $39 million in direct philanthropic support and through charitable matching of employees' philanthropic donations and volunteer hours.

Community Outreach and Employee Engagement

In 2016, Peabody committed to maintaining its world headquarters in the city of St. Louis, Missouri, by extending its lease through 2023, and its corporate office employees played an integral part in sustaining partnerships with select nonprofit agencies across the greater metropolitan region.

Peabody's 2016 Total Economic Benefits, by Region



Peabody's operations created $9.7 billion in total economic benefits globally in 2016.

Peabody Charitable Contributions

Dollars in Thousands	
Arts and Culture	$174
Civic and Public Affairs	$125
Community and Economic Development	$80
Disaster Relief	$37
Education: K-12	$13
Employee Matching Gift Programs	$107
Energy and Mining Education	$173
Environmental	$6
Health and Social Services	$248
Higher Education	$3
Other	$1
Scholarships	$235
Grand Total	**$1,202**

Peabody provided $1.2 million in philanthropic gifts and scholarships during 2016. Even during challenging times, the company continues its strong tradition of lifting communities in unique and important ways. Peabody collates its giving data based on program areas as defined by the Committee Encouraging Corporate Philanthropy, with the addition of areas of focus specific to our company.

[4] *National Mining Association Economic Analysis, 2016.*

Community outreach is valued as an ongoing endeavor at Peabody, and for employees based out of St. Louis, fall launches a meaningful season of giving back. Both the company and its employees support an annual campaign to fund United Way of Greater St. Louis, which in turn helps sustain more than 170 area nonprofits. Over the past five years, even with a smaller employee population at Corporate, Peabody's campaign has remained a strong tradition, raising more than $3.7 million to help people in need.

"Fall Fridays" during September have galvanized employees to step away from work and provide service and energy to several United Way agencies. Sixty-eight participants lent a day assisting with tasks like yard work, sanitizing play areas, stocking food pantries, washing windows and even converting typed books to braille. In 2016, the experience produced the equivalent of $6,400 worth of "volunteer labor" for projects that would have otherwise incurred overhead for the agencies. "Jeans Day for United Way" also continues to attract employees; since 2012, donating just $10 a month to dress casual for the cause has produced $157,000 in charitable giving.

Getting Creative for a Cause

In November, men from Peabody's St. Louis and United Kingdom coal trade offices got creative for a cause, joining the international Movember campaign to raise funds and awareness for men's top health concerns, from prostate and testicular cancers to suicide prevention. Several teams of employees joined in a "moustache madness" fundraiser, resulting in creative facial hair configurations and building camaraderie and competition to produce over $6,700 for the Movember Foundation.

Along with raising funds for the Movember Foundation, the St. Louis employees' "Most Creative Facial Hair" contest may have raised some eyebrows. Here, men and women alike pose for team "mug shots."

"Rise and Shine for Heat" collected upwards of $300,000 across the St. Louis community to support those in need of utility assistance.

Peabody supports organizations whose client-service missions align with our company's advocacy for accessible, affordable energy. In partnership with Heat Up St. Louis, a nonprofit whose programs help seniors, disabled and low-income families with heating and cooling bills, Peabody volunteers joined a communitywide fundraiser to collect donations from customers and passersby outside Hardee's restaurants. For more than five years, our employees have braved the winter chill to participate in "Rise and Shine for Heat."

In addition, to ring in the winter holidays, hundreds of toys were donated by St. Louis employees to support Toys for Tots, and nonperishable food items and proceeds from the sale of used office supplies and furniture were collected for St. Patrick Center, an agency in downtown St. Louis helping to combat homelessness.

In Australia, Peabody's outreach takes a multi-faceted approach to supporting populations closest to the company's operations. From sponsorships that promote civic pride and vitality, to critical donations toward life-saving rescue equipment, to encouraging transparent feedback from locals during community information sessions and mine tours, a very intentional emphasis is placed on forming genuine and lasting relationships. The result is an improved public understanding of and appreciation for coal use and coal mining as well as employees who are committed to giving back.

Many areas near Peabody's mines are considered remote, making rapid medical assistance more difficult. To alleviate this issue, a mutually beneficial relationship between our mines and surrounding communities is evidenced through support for local rescue services. In New South Wales, a team of Wambo Mine employees helped to raise funds for a rescue helicopter service at the Hunter Valley Coal Festival. Wilpinjong Mine assisted the Mudgee Volunteer Rescue Squad, which is required to be self-reliant and doesn't receive government funding, with critical support in the form of a $10,000 grant directed toward the acquisition of Jaws of Life equipment. And Peabody has been a long-term supporter of Central Queensland Rescue, a community helicopter provider for residents, workers and visitors in Central Queensland, including Peabody's Bowen Basin employees. Since 2009, Peabody has donated nearly $315,000 to cover operational expenses of the chopper, which undertakes hundreds of rescues each year.

Left: The Central Queensland Rescue community helicopter marked 20 years of service in 2016. Right: Jaws of Life rescue tools were purchased with a $10,000 grant from the Wilpinjong Mine to the Mudgee Volunteer Rescue Squad.

Near Wollar, New South Wales, dozens of Wilpinjong Mine employees volunteer for the Cooks Gap rural fire service, whose recruits respond to ravaging bushfires that can plague the region. Becoming a brigade member requires a significant investment of time, including testing and training, and when a bushfire breaks out, skills are put to work during extreme and potentially life-threatening conditions. When a fire threatened Wollar and pastoral holdings northeast of the community of Mudgee, 37 Peabody employees were called upon to provide round-the-clock relief efforts. Our employees and partners directly fought the blaze, assisted in relocating 400 head of cattle as danger approached and prepared meals for brigade members from food provided by Wilpinjong Mine. Peabody also loaned the mine's fire truck and a grader and water cart to help bring the bushfire under control.

Peabody recognizes that employees who are registered volunteers with firefighting services may need to fulfill community service obligations, and therefore the Community Services Leave Policy for our Australian operations was enhanced in 2016 to provide up to two weeks paid leave per year to accommodate employee service.

Our Australian operations are in tune with the cultural values of communities, including recognizing and celebrating heritage and cultural milestones. Each year near Wilpinjong Mine, the Gulgong community of New South Wales that was settled in the late 1800s by Chinese entrepreneurs commemorates its Chinese heritage through a festival sponsored by Peabody. We also continue our longstanding sponsorship of the Queensland Youth Orchestra, a partnership that brings high caliber young performers to regional schools in the Bowen Basin to inspire the next generation of young musicians.

For 10 years, Peabody's Bowen Basin operations have been working alongside two Traditional Owner groups, the Barada Barna and the Wiri, to ensure their cultural values are upheld in the region. In 2016, three native title decisions made during a federal court hearing in Moranbah gave the Barada Barna and the Wiri people control over nearly 3,233 square kilometers of land and waters in the Bowen Basin. The decisions were a significant milestone for the groups and the culmination of nearly eight years of legal hearings and court proceedings, serving to vindicate their traditional ownership of the country and lock in this relationship between the groups and the State of Queensland in perpetuity, to the exclusion of all other claims. The Native Title determinations cement Peabody's relationship with the groups and the enduring agreements, which provide for employment and business development opportunities at our operations.

In the Americas, our employees continue to step up to support their communities. At the Arclar Complex in Illinois, comprised of the Cottage Grove Mine, Wildcat Hills Mine and Central Preparation Plant, employees hold an annual Thanksgiving holiday food drive to collect items for regional families in need. Bear Run Mine in Indiana holds an employee fundraiser all year long to support their "Coal Miner's Christmas," a community outreach project that mine employees began in 2011 to purchase presents for area school children whose families are financially distressed. Mine volunteers shop and wrap gifts as a team-building exercise. Since its launch, the mine has raised nearly $57,000 and gifted to 285 children from Sullivan County schools.

Peabody's Midwest U.S. mines are steadfast in their outreach to area families. Left: Employees from the Arclar Complex in Illinois gave back during the American Thanksgiving holiday by collecting food for people in need. Right: Bear Run Mine has been helping make the holidays special for area school kids for six years, with each deserving child receiving around $200 in gifts, all purchased and wrapped by mine employees.

In Colorado, Twentymile Mine has supported the Routt County and Moffat County United Ways for more than 10 years, turning employees' good intentions into even greater impact through matching philanthropic pledges. Sixty-eight employees pledged nearly $40,000 to the respective United Ways in 2016, and with the company's match, the total doubled. United Way organizations in these counties seek to advance community impact in the areas of education, income stability and healthy lives, and Peabody's support provides critical resources to advance the common good for communities near the mine.

"When we support United Way through a donation or volunteering, we help those who are less fortunate or who may be going through a period of crisis, and we strengthen the entire community," says Scott Harrell, Human Resources Director for Colorado operations.

Twentymile also supports Leadership Steamboat each year by providing mine tours and education sessions to the public and remains a member of the Steamboat Springs and Moffat County Chambers of Commerce. In Steamboat, that membership includes sponsorship of several summertime community events where the mine has the opportunity to promote greater understanding of coal and the coal industry.

At Kayenta Mine, outreach often includes in-kind services performed by mine employees, from delivery of water for livestock, to maintaining roads for local families, to equipment maintenance for local tribal chapters. The mine is a strong contributor to the tribes, injecting $430 million in direct and indirect economic benefits during 2016, including $235,000 in scholarships to Navajo and Hopi youth.

Putting Energy into a Cure

At several of Peabody's operations, employees have for years rallied in an effort to bring awareness to breast cancer. In Australia, Wilpinjong Mine participated in the first-ever "Pink Up Mudgee" campaign in 2016, which aimed to turn much of the nearby town pink during breast cancer awareness month. Mine employees purchased pink hard hats to raise more than $10,000 for the cause.

In an annual tradition in St. Louis, employees – including breast cancer survivors – took to downtown streets with friends and families to "Put Energy into the Cure" during the Susan G. Komen Race for the Cure®, which raises funds for breast cancer research.

"Pink Up Mudgee" raised funds and employee spirits. Wilpinjong Mine, which painted a dozer pink to support the initiative, was one of 280 businesses to participate and became a finalist in the Team Effort awards category.

APPENDIX - SAFETY

We commit to safety and health as a way of life.

Safety Principles

Our vision is to operate safe and healthy workplaces that are incident free. Safety is Peabody's first value that is integrated into all areas of our business. Our goal is to eliminate all workplace incidents, including injuries, occupational illnesses and property damage.

The following governing principles apply to our employees, contractors, visitors and vendors at our sites, and to any location where an employee is engaged in work activities:

- Management has the overall accountability for safety and health, the promotion of risk management, and the sharing of learnings across the organization;
- Everyone is responsible for their own safety and health, their preparation for and fitness for work, as well as caring for their co-workers;
- Everyone will be provided training and equipment to perform their jobs in a safe and healthy manner;
- Everyone has the authority to stop and challenge unsafe activities;
- Everyone must comply with established safety and health rules (including lifesaving rules), laws and regulations;
- Open, honest and effective safety and health incident investigation and communication is essential;
- Safety and health efforts must be maintained and continuously improved;
- Successes will be celebrated and desirable behaviors recognized and reinforced.

Safety a Way of Life Management System

Our Safety A Way of Life (SAWOL) management system, which aligns to the National Mining Association's (NMA) CORESafety® framework, has been designed to set clear and consistent expectations for safety and health across our business through the categories of leadership and organization, safety and health risk management and assurance. These competencies are further defined in 20 modules, which include performance expectations and timelines to ensure steady progress toward the goal of achieving incident free workplaces.

Peabody's approach to managing safety and health is detailed in the SAWOL standard above.

APPENDIX - LEADERSHIP

We have the courage to lead and do so through inspiration, innovation, collaboration and execution.

Investment Principles Questionnaire

The following questionnaire is intended to assist investors in assessing whether their target companies meet the vast majority of the following standards consistent with Investment Principles for Best-in-Class Coal Companies.

Sustainable Mining

- Operate safe workplaces, commit to continuous improvement in incidence rates and establish safety as a top priority principle.
    - Does the company have a statement in its Corporate and Social Responsibility Report committing to the goal of an incident-free workplace?
    - Is the company a participant in the National Mining Association's CORESafety® program?
    - Is the company's annual reportable injury frequency rate below the industry average?

- Maximize resource recovery.
    - Does the company have a statement in its Corporate and Social Responsibility Report committing to reasonable steps to maximize resource recovery?

- Seek ongoing improvement in environmental performance.
    - Does the company document its environmental activities in its Corporate and Social Responsibility Report?
    - Does the company have water management and water recycling programs?
    - Does the company have fuel efficiency and energy efficiency programs?
    - Has the company continuously improved its greenhouse gas emissions intensity?
    - Does the company define its position on climate change and carbon dioxide?
    - Does the company have a comprehensive recycling program?
    - Has the company been acknowledged by independent third parties for environmental performance?

- Disclose which mines provide mountaintop-removal-free production.
    - Does the company disclose coal production from its mines as mountaintop-removal-free in the U.S.?

- Commit to restoring mined lands for generations that follow.
    - Does the company provide a statement that commits to good stewardship of mined lands through reclamation practices in its Corporate and Social Responsibility Report?
    - Does the company provide the acres of reclaimed and disturbed lands in its Corporate and Social Responsibility Report?
    - Does the company collaborate with peers, academic institutions, governments and other stakeholders on projects, both domestically and internationally, to share best practices?

- Respect human rights and indigenous people who are potentially impacted by mining activities.
    - Does the company support fundamental principles of human rights?
    - Does the company have programs to support local employment and engagement with indigenous people?

Energy Access

- Drive partnerships and policy to achieve universal access to modern electricity.
    - Does the company publicly support the need for universal access to modern electricity in company statements, speeches and presentations, and written comments?
    - Does the company engage with governments to promote policies to increase energy access?
    - Does the company serve in leadership roles in associations that promote access to modern electricity?

- Engage with government, academia and other stakeholders to address major energy challenges.
    - Does the company engage with government officials and their staff to find solutions to energy challenges?
    - Does the company disclose its political and lobbying activities?
    - Does the company provide leadership to academic institutions and trade associations to address major energy challenges?

Clean Coal Technologies

- Support greater deployment of advanced coal technologies and next-generation carbon capture, use and storage technologies.
    - Does the company invest in advanced coal technologies and next-generation carbon capture, use and storage technologies?
    - Does the company serve in a leadership capacity in associations that support advanced coal technologies?

- Support and drive policies to achieve the goal of near-zero emissions in the world's next-generation coal-based electricity generation fleet.
    - Does the company publicly support driving toward near-zero emissions in its Corporate and Social Responsibility Report?
    - Does the company engage with governments, industry and other stakeholders to promote policy parity for advanced coal technologies?

APPENDIX - INTEGRITY

We act in an honest and ethical manner.

Corporate Governance Practices and Principles

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. Peabody's governance practices include the following:

- At least a majority of the company's directors must meet the criteria for independence established by the New York Stock Exchange (NYSE). The independence of each director is reviewed at least annually and at other times when a change in circumstances could potentially impact a director's independence.
- The company's articles of incorporation provide for the annual election of directors, and the company's bylaws provide for majority voting in uncontested director elections.
- The Audit, Compensation, Nominating and Corporate Governance, and Health, Safety, Security and Environmental Committees are comprised entirely of independent directors.
- Non-management directors meet in executive sessions without management.
- The board and its committees conduct annual performance reviews to evaluate whether they are functioning effectively and to determine what actions, if any, could improve their performance.
- Each director participates in an orientation program shortly after his or her election, and each director is required to attend, at company expense, an appropriate continuing education program at least once every three years.
- The board and committees have the authority to hire independent legal, financial and other advisors without consulting or obtaining the advance approval of any officer.
- Three of the four members of the Audit Committee have been determined by the board to be an "Audit Committee financial expert" for purposes of the Securities and Exchange Commission's (SEC) rules relating to audit committees.
- The Audit Committee must pre-approve all audit and non-audit services performed by the company's independent registered public accounting firm to ensure that such services do not impair that firm's independence.
- Directors may not serve on more than four other public company boards.
- Directors are required to submit their resignation to the board for consideration following a job change, failure to satisfy our Code of Business Conduct and Ethics or a change in circumstances that adversely affects his or her capacity to serve as a director.
- Directors may not stand for election or be appointed to fill vacant or newly created board positions after reaching age 75.
- The company has adopted a "clawback" provision that allows the board, at its discretion, to require that current or former executive officers reimburse the company for all or any portion of cash or equity-based compensation under certain circumstances following an accounting restatement by the company.
- The company has adopted and disclosed stock ownership requirements for executive officers and directors.
- The company prohibits directors, officers and employees from entering into hedging transactions involving Peabody stock and also prohibits them from holding our common stock in a margin account as collateral for a margin loan or otherwise pledging our common stock as collateral for a loan.

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.

The following is a listing of organizations in which we have memberships and to which we paid annual dues or other payments of $10,000 or more in 2016:

United States

- American Coalition for Clean Coal Electricity
- American Legislative Exchange Council
- Balanced Energy for Arkansas
- Balanced Energy for Texas
- Business Roundtable
- Carbon Utilization Research Council
- Colorado Mining Association
- Conference Board
- Illinois Chamber of Commerce
- Illinois Coal Association
- Illinois Manufacturers' Association
- Indiana Coal Council
- International Energy Agency Coal Industry Advisory Board
- Missouri Chamber of Commerce
- National Association of Manufacturers
- National Coal Council
- National Mining Association
- New Mexico Mining Association
- St. Louis Regional Chamber
- U.S. Chamber of Commerce
- U.S.-ASEAN Business Council
- World Coal Association
- Wyoming Mining Association

Australia

- Australian Coal Association Low Emission Technologies Coal21 Fund
- Australian Coal Association Research Program
- Fitzroy Basin Association
- Minerals Council of Australia
- New South Wales Minerals Council
- Queensland Resources Council
- Singleton Chamber of Commerce

APPENDIX - SUSTAINABILITY

We take responsibility for the environment, benefit our communities and restore the land for generations that follow.

Global Reporting Initiative

Data is reported using the metric system per GRI guidance, including megaliters (ML) and kilograms (Kg).

Section G4-EN8: Total Water Withdrawal by Source: The sum of water drawn into the boundaries of the organization from all sources including surface water, groundwater, rainwater and municipal water supply for any use over the course of the reporting period.

G4-EN8 Total Water Withdrawn by Source

Total Withdrawn Surface Water	29,311 ML
Total Withdrawn Ground Water	11,707 ML
Total Withdrawn Municipal/Purchased Water	1,961 ML
Total Water Withdrawn	**42,979 ML**

Section G4-EN9: Water Sources Significantly Affected by Withdrawal of Water: Withdrawals that account for an average of 5 percent or more of the annual average volume of water body; withdrawals that are known to or are likely to have significant impacts as determined by recognized professionals; withdrawals from water bodies recognized to be particularly sensitive based on relative size, function, or status as rare, threatened or endangered system; any withdrawal from a wetland listed in the Ramsar Convention or other proclaimed conservation area; water sources having a high biodiversity value; water source identified as having high value or importance to local communities and indigenous peoples.

For 2016, one water body was identified as being significantly affected by the withdrawal of water. The stream is located in Wyoming and affected by mining operations at North Antelope Rochelle Mine. The stream is designated as Class IIIb Warm Water Non-Game Fishery waters by the state of Wyoming and is not designated as having a high biodiversity value. Withdrawals are done in accordance with permit requirements. The water withdrawn from Porcupine Creek represents 0.55 percent of water withdrawals at the mine. The withdrawal serves two purposes: to control water inflow into active operations and for dust control. Once mining in this area of Porcupine Creek is completed, the creek will be restored and natural flows re-established.

G4-EN9: Water Sources Significantly Affected by Withdrawal of Water

Porcupine Creek (Wyoming)	19 ML
Total Water Significantly Affected Withdrawn	19 ML
Total Surface Water Withdrawn	**42,979 ML**

Section G4-EN10: Percentage and Total Volume of Water Recycled and Reused: The act of processing water and waste water through another cycle before discharge to final treatment and discharge to the environment.

G4-EN10: Percentage and Total Volume of Water Recycled and Reused

Total Water Withdrawn	42,979 ML
Total Water Recycled/Reused	30,816 ML
Percentage Water Recycled	**72%**

Section G4-EN22: Total Water Discharge by Quality and Destination: Sum of water effluents discharged over the course of the reporting period to subsurface waters, surface waters, sewers that lead to rivers, oceans, lakes, wetlands, treatment facilities and groundwater.

G4-EN22: Total Water Discharge by Quality and Destination

Total Water Discharged to Surface Water (Rivers and Streams)	25,509 ML
Total Water Transferred to Third Party for Reuse	340 ML
Total Water Discharged	**25,849 ML**

Section G4-EN26: Water Sources Significantly Affected by Discharge of Water: Discharges that account for an average of 5 percent or more of the annual average volume of water body; withdrawals that are known to or are likely to have significant impacts as determined by recognized professionals; withdrawals from water bodies recognized to be particularly sensitive based on relative size, function, or status as rare, threatened or endangered system; any discharge to a wetland listed in the Ramsar Convention or other proclaimed conservation area; water sources having a high biodiversity value; water source identified as having high value or importance to local communities and indigenous peoples.

G4-EN26: Water Sources Significantly Affected by Discharge of Water

Porcupine Creek (Wyoming)	137 ML
Foidel Creek (Colorado)	957 ML
Total Water Significantly Affected Discharged	**1,094 ML**

For 2016, two water bodies were identified as being significantly affected by the volume of water discharged to the water body. Porcupine Creek receives discharge from North Antelope Rochelle Mine in Wyoming and Foidel Creek receives discharge from Twentymile Mine in Colorado. Discharges are monitored for water quality and meet applicable water quality standards. Neither stream was identified as having high biodiversity value. Once mining is completed, natural flow conditions will be restored.

Two streams were identified that discharge to waters that are part of protected areas. In New South Wales, Australia, Metropolitan Mine discharges to a tributary stream of the Hacking River. Downstream of the mine the Hacking River flows through the Royal National Park. The biodiversity of the Hacking River flowing through the National Park is assumed to be high as the park represents a protected area. In Indiana, Francisco Mine withdraws water from and discharges to the Patoka River which is included in the Patoka River National Wildlife Refuge. All discharges were done in accordance with regulatory requirements.

Water Data

Total Water Withdrawn	42,979 ML
Total Water Withdrawn Surface Water (EN8)	29,311 ML
Total Water Withdrawn Surface Water Significant (EN9)	19 ML
Total Water Withdrawn Ground Water (EN8)	11,707 ML
Total Water Withdrawn Municipal/Purchased Water (EN8)	1,961 ML
Total Water Discharged (EN22)	25,849 ML
Total Water Discharged Surface Water (EN22)	25,509 ML
Total Water Discharged Surface Water Significant (EN26)	1,094 ML
Total Water Transferred to Third Party for Reuse (EN22)	340 ML
Total Volume of Water Recycled and Reused (EN10)	30,816 ML
Percentage of Water Recycled and Reused (EN10)	72%

Biodiversity: GRI Indicators G4-EN9 and G4-EN26 contain a component to describe the biodiversity of the water bodies from which water is withdrawn (EN9) or discharged (EN26). Biodiversity can be measured using quantitative indicators, but no single unified approach exists. There are currently no requirements to measure biodiversity of water bodies from which water is withdrawn or discharged in the coal mining permit process or required environmental water monitoring requirements. Instead, water quality standards are used to ensure the water discharged from coal mines meets the designated uses of the water body receiving discharges.

In 2016, all water Peabody discharged to rivers and streams – ranging from perennial to ephemeral – was regulated and met site-specific water quality standards established for the receiving stream. Routine monitoring of discharges from 2016 shows that water quality was typically of equal or better quality than the receiving stream. Receiving streams' designated uses include drinking water supply, irrigation, livestock and aquatic habitat.

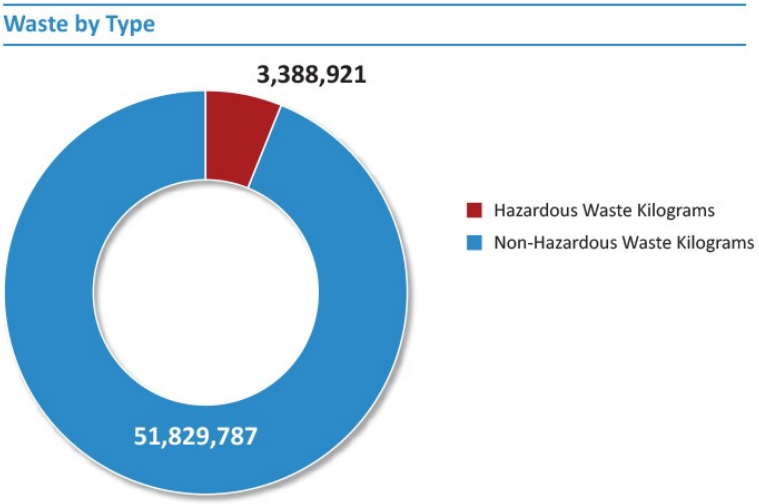
A reclaimed stream flows at Peabody's Wild Boar Mine in Indiana.

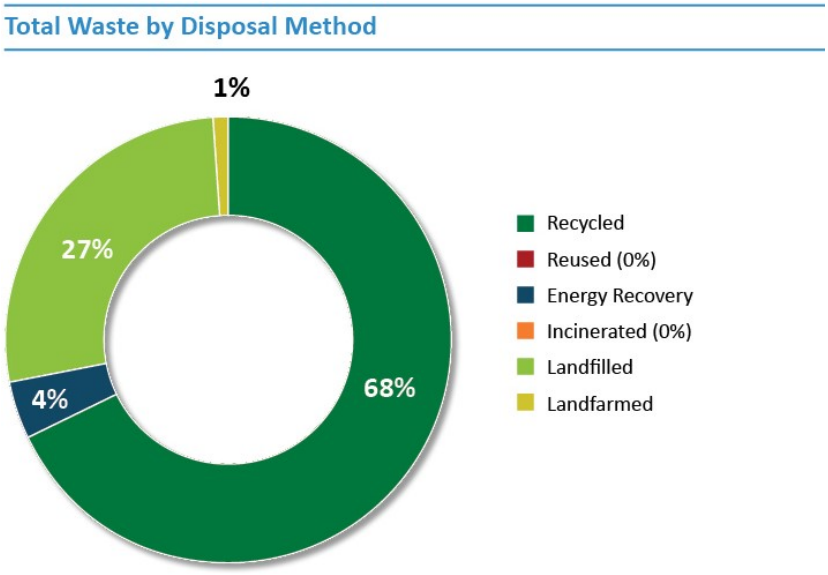
Resources including federal, state and nongovernmental organizations were reviewed to identify streams with high biodiversity criteria. None of the streams that Peabody mines discharge to or withdraw from were identified as having high biodiversity value. For example, state water quality standards include terms such as Limited Use, Outstanding National Resource Water, Outstanding State Resource Water (or equivalent designations) with specific water bodies identified in the State Water Quality Standards. These water bodies would be afforded additional protection by state agencies. Peabody does not directly discharge or withdraw water from any water bodies identified in State Water Quality standards with these designations.

Section G4-EN23: Total Weight of Waste by Type and Disposal Method: GRI 4 defines two waste types: hazardous waste and non-hazardous waste. The waste types are defined by regulatory definitions from where the waste is generated. Definitions of hazardous and non-hazardous waste used in this reporting are consistent with the two countries and eight states in which Peabody mines.

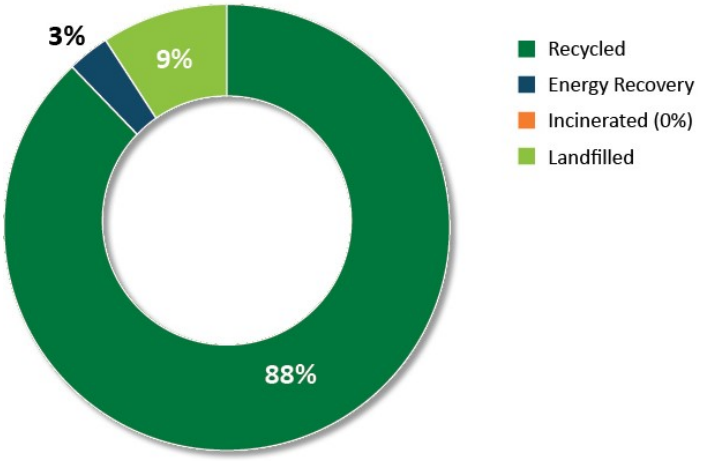
Waste reporting under GRI is done by totaling the waste types by disposal method. GRI disposal methods include reuse, recycling, composting, energy recovery, incineration, landfill, etc.

The following charts summarize disposal methods for waste in 2016.





Hazardous Waste by Disposal Method



GRI G4-EN23 Waste By Disposal Method

Total Hazardous Waste Reused	0 Kg
Total Hazardous Waste Recycled	2,983,460 Kg
Total Hazardous Waste Composted	0 Kg
Total Hazardous Waste Energy Recovered	111,285 Kg
Total Hazardous Waste Incinerated	757 Kg
Total Hazardous Waste Landfilled	293,419 Kg
Total Hazardous Waste Landfarmed	0 Kg
Total Other Hazardous Waste	0 Kg
Total Non-Hazardous Waste Reused	0 Kg
Total Non-Hazardous Waste Recycled	34,817,341 Kg
Total Non-Hazardous Waste Composted	0 Kg
Total Non-Hazardous Waste Energy Recovered	2,047,799 Kg
Total Non-Hazardous Waste Incinerated	0 Kg
Total Non-Hazardous Waste Landfilled	14,616,873 Kg
Total Non-Hazardous Waste Landfarmed	347,774 Kg

Peabody
Peabody Plaza
701 Market Street
St. Louis, MO 63101
PeabodyEnergy.com