

Advanced Energy



Peabody
ENERGY

2013 Corporate and Social Responsibility Report

Our mission is to create superior value for shareholders as the leading global supplier of coal, which enables economic prosperity and a better quality of life.

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Pictured at right is a vibrant tree stand at Peabody's former Seneca Mine in Northwest Colorado. Peabody has earned numerous honors for land restoration in Colorado and around the world.

Documents posted at PeabodyEnergy.com include the company's mission statement, safety vision and policies that support the company's goals of social responsibility and sustainable development.

Focus Areas

- Peabody Energy's culture is driven by strong corporate governance and a continuous focus on safety, stewardship and best-in-class performance.
- Safety is core to the company's mission, and all employees commit to a vision of an incident-free workplace.
- Peabody believes greater use of clean coal drives energy security, economic growth and environmental solutions.
- Peabody is a global leader in advancing low-carbon and near-zero emissions technologies.

2013 Results

During the past year, Peabody Energy:

- Equaled a safety record first set in 2012 with a global incidence rate of 1.87.
- Increased U.S. productivity 9 percent and Australian productivity 27 percent; achieved the lowest U.S. per-ton operating costs in two years, while per-ton operating costs in Australia declined 4 percent; generated solid cash flow; and repaid debt.
- Earned more than 25 awards for safety, financial performance, environmental excellence and social responsibility.
- Created more than \$19 billion¹ in direct and indirect economic benefits worldwide.
- Restored 2,680 acres, including 1,300 acres of wildlife habitat and 300 acres of ponds and lakes, and reduced carbon intensity 10 percent compared to 2012 levels as measured in pounds of carbon dioxide equivalent (CO₂e).
- Recycled more than 13,000 tons of materials as diverse as computers, tires, and chemicals and reused or recycled 5.7 billion gallons of water.
- Gave nearly \$5 million in charitable contributions to advance quality of life in communities around the world.
- Operated the world's largest and most productive mine, the North Antelope Rochelle Mine in the U.S. Southern Powder River Basin.

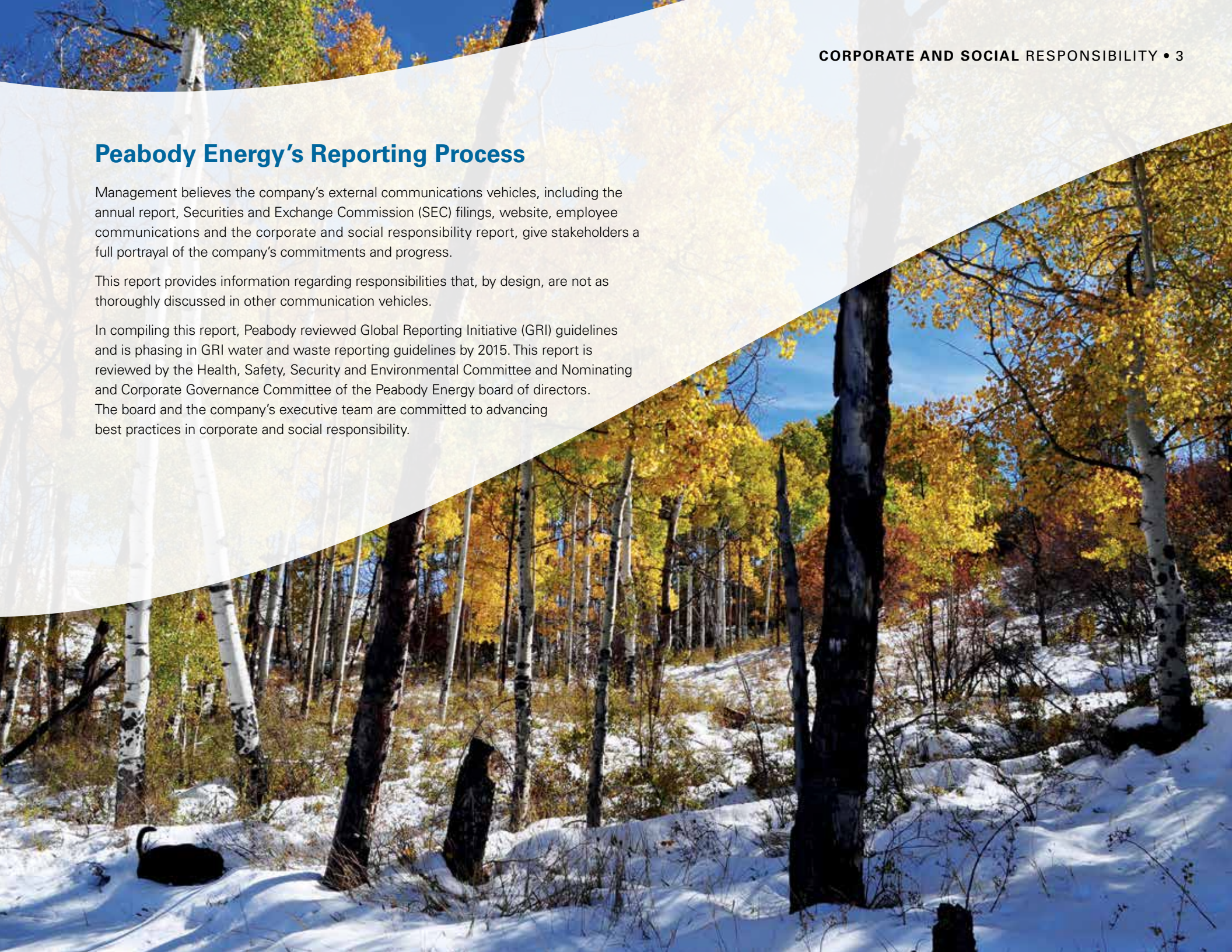
¹ National Mining Association analysis of IMPLAN model, IMPLAN Group, LLC, IMPLAN System.

Peabody Energy's Reporting Process

Management believes the company's external communications vehicles, including the annual report, Securities and Exchange Commission (SEC) filings, website, employee communications and the corporate and social responsibility report, give stakeholders a full portrayal of the company's commitments and progress.

This report provides information regarding responsibilities that, by design, are not as thoroughly discussed in other communication vehicles.

In compiling this report, Peabody reviewed Global Reporting Initiative (GRI) guidelines and is phasing in GRI water and waste reporting guidelines by 2015. This report is reviewed by the Health, Safety, Security and Environmental Committee and Nominating and Corporate Governance Committee of the Peabody Energy board of directors. The board and the company's executive team are committed to advancing best practices in corporate and social responsibility.





Gregory H. Boyce
*Chairman and
Chief Executive Officer*

To Our Stakeholders:

Peabody Energy's mission is to create superior value for shareholders as the leading global supplier of coal, which enables economic prosperity and a better quality of life.

Everything we do – every day – honors this mission, from our commitment to expanding global energy access to our world-class safety and environmental practices.

As I reflect on the past seven years since Peabody produced our first Corporate and Social Responsibility Report, I am deeply proud of our progress. We have improved our safety incidence rate 54 percent in the United States and more than 70 percent in Australia, restored more than 38,000 acres of land, invested millions of dollars in communities and countless volunteer hours in philanthropic organizations, increased revenues 77 percent and Adjusted EBITDA 16 percent, drove 15 percent increases in spending with diverse suppliers every year on a compounded basis and earned more than 100 corporate, safety and environmental honors.

In a challenging 2013, Peabody tied our record global safety results; increased productivity; reduced costs; repaid debt; and supplied customers on six continents with 251.7 tons of coal, a product that is essential to modern life.

We launched the “Advanced Energy for Life” campaign to recognize this simple truth. Coal provides the large-scale, low-cost energy that drives economic growth, energy security and environmental advancements around the world. Peabody is working to raise awareness and support to end global energy poverty; increase access to reliable, low-cost electricity; and improve emissions rates using today's advanced clean coal technologies.

Among our year's accomplishments, Peabody:

- **Advanced Economic and Public Responsibility.** Peabody generated \$19 billion in economic benefits worldwide, including \$5.6 billion in direct contributions in wages, taxes, royalty payments and capital investments. We donated millions of dollars through philanthropic partnerships and progressed clean coal projects and partnerships on three continents.
- **Advanced Employee Responsibility.** Peabody delivered our best U.S. safety performance, and strengthened employee volunteerism, diversity and health and wellness.
- **Advanced Environmental Responsibility.** Peabody restored 2,680 acres and planted, on average, the equivalent of nearly 1,500 trees a day. We increased forested land nine fold, doubled the amount of restored cropland, created more than 1,300 acres of wildlife habitat, and established 300 acres of pristine ponds and lakes. Peabody also reduced our carbon footprint by 10 percent compared to 2012 levels, as measured in pounds of carbon dioxide equivalent (CO₂e).

- **Advanced Energy for Life:** For hundreds of millions of people, access to affordable energy is closely linked with greater longevity, increased literacy and a better standard of living. Yet, more than a decade after the United Nations called for an end to poverty, 3.5 billion people live without adequate electricity. As many as 1.2 billion are children. Peabody believes energy poverty is a human tragedy and a global environmental crisis. Increasing access to all forms of affordable energy – including coal – is key to the solution.



Rural Ghanaian students study with the help of a kerosene lantern. Electric heat, lights, refrigerated food and medicine are still unavailable in this Ghanaian village and in many parts of the world.

Peabody is working to raise awareness and support to end global energy poverty; increase access to reliable, low-cost electricity; and improve emissions rates using today's advanced clean coal technologies.

Coal is the only fuel with the large scale and low cost to meet enormous and growing global energy needs. Today's advanced technologies demonstrate that more coal can be used to produce more energy, more cleanly. Indeed, 21st century coal, which uses these technologies, is essential.

Today, we stand at an inflection point. Energy poverty is the world's number one human and environmental crisis. Clean, modern energy is the solution for longer, better, healthier lives. We can, and must, do better. Our Advanced Energy for Life campaign shines a light on these issues and realistic solutions.

I would like to thank the 8,300 Peabody people who have made it possible to report significant progress in meeting our objectives. I also thank our community partners and our hundreds of customers who continue to work with us to fuel a brighter, more sustainable future in more than 25 nations.

Gregory H. Boyce
Chairman and Chief Executive Officer

Contributed
~\$19 billion
in global economic
benefits.



Recycled
13,000+
tons of computers,
tires, chemicals and
other materials.



Delivered an
incidence rate

**45%
safer**

than the U.S. average.



Reduced greenhouse
gas intensity

~10%

worldwide as measured
in pounds of carbon
dioxide equivalent
(CO₂e).



Advanced Energy for Life in 2013

Increased number
of women employees

20%

in our Australia workforce,
and increased U.S. minority
and female representation.

Contributed nearly

\$5 million

in charitable contributions
to improve the communities
where we live and work.

Earned more than

**25
honors**

for safety, financial and
environmental excellence.

Restored

**2,680
acres**

including 1,300+ acres
of wildlife habitat and
300 acres of pristine
waterways.



ECONOMIC

AND CORPORATE RESPONSIBILITY



Peabody is fueling economies and powering social progress across the world, from supplying metallurgical coal for steel production in China to energizing communities through employee volunteers in Australia.

In the Economic and Corporate Responsibility section, you will find:

- Empowering Life
- Global Partnership and Charitable Giving
- Corporate Governance and Ethics
- Code of Business Conduct and Ethics
- 2014 Objectives

Few companies have the privilege of playing a critical role in the lives of tens of millions of people each day.

Peabody Energy takes great pride in providing a product that is as essential as food, shelter and water. In a single 24-hour period, we produce enough thermal coal to power 19,200 hospitals, light 2,150 schools or fuel 1,100 manufacturing plants. And in a single year, we ship enough metallurgical coal to build the Sydney Harbour bridge more than 340 times.

Rising energy costs, geopolitical instability and energy insecurity remind us that the business of Peabody is the business of the world – to create jobs and power a better quality of life through reliable, affordable energy production. In 2013 alone, Peabody injected \$19 billion¹ into local, state, and provincial economies around the world. This includes \$5.6 billion in direct contributions, including wages, taxes, capital investments and vendor contracts and millions of dollars in philanthropic donations.

Citizens in nations with access to affordable energy consistently enjoy better health and greater prosperity – and coal is the foundation of this progress, the only sustainable fuel with the large scale and low cost to meet significant needs.

¹ National Mining Association analysis of IMPLAN model, IMPLAN Group, LLC, IMPLAN System.

Yet today, one of every two people in the world still lives without adequate² access to modern power. More than 200,000 people join the global population daily,³ and each child deserves and requires access to affordable energy.

Energy poverty is the defining crisis of our time. Ending it is a challenge the world must embrace. Increasing access to all forms of affordable energy – including coal – is the single, most effective solution. Every day, the people of Peabody work to provide coal-fueled energy safely and sustainably to benefit the world and support the communities where we live and work.

Empowering Life

Access to energy is a gateway to modern living, linked with improved educational levels, stronger economies and greater health and longevity. Coal is the only affordable fuel that can satisfy growing, global need at scale.

Coal Advances Economic Growth

Coal's advantages are obvious: Reserves are geographically diverse, comprising 55 percent of all energy resources.⁴ Coal can be found in a variety of nations large and small, developed and emerging, on every major continent.⁵ Coal can be easily stored, and coal-fueled electricity is well proven and not weather-dependent. Costs are low, and trade flows are well established. Use of coal has soared 335 percent since 1970, demonstrating a near-perfect correlation with global growth in gross domestic product (GDP).⁶ Coal currently fuels nearly 30 percent of global energy consumption – its highest share since 1969⁷ – and coal is projected to overtake oil as the world's largest energy source in coming years.⁸

Economic and demographic trends drive these long-term growth projections. The United Nations forecasts that urban areas will grow by more than 70 million people annually through 2020. As people increasingly move to cities in pursuit of an improved quality of life, they will need apartments, appliances and automobiles that require steel to make and energy to run. In China and India alone, urban populations are expected to increase by some 28 million people every year over the next decade.³ These two dynamic economies are driving the most significant buildout of coal-fueled electricity plants in decades to satisfy enormous anticipated need. In the next three years alone, coal demand is projected to expand by some 700 million tonnes,⁹ with China and India responsible for nearly 80 percent⁹ of this growth.

² Adequate access (2,500 kWh per capita per year) based on U.S. Department of Energy Lawrence Livermore National Laboratory, "Global Energy Futures and Human Development: A Framework for Analysis," Alan D. Pasternak, October 2000, UCRL-ID-140773.

³ United Nations, World Urbanization Prospects, 2011, U.N. Development Programme, Internet World Statistics, 2013.

As the high-growth nations of Asia continue to turn to coal to fuel sustained urbanization and industrialization, advanced industrial economies are capitalizing on coal's advantages over natural gas and renewables. In 2013, Germany used more coal than at any time since 1990; Japanese coal use increased every month in 2013 compared to the prior year; and coal's share of the U.S. electricity generation market expanded to about 40 percent in 2013 largely in response to rising natural gas prices. In the United States, increased utilization rates and basin switching in the low-cost Powder River and Illinois basins are expected to more than offset the impact of regulation-driven plant retirements. Demand in these two regions is projected to

⁴ Platts World Electric Power Plant Database, 2013.

⁵ BP Statistical Review of World Energy, 2013.

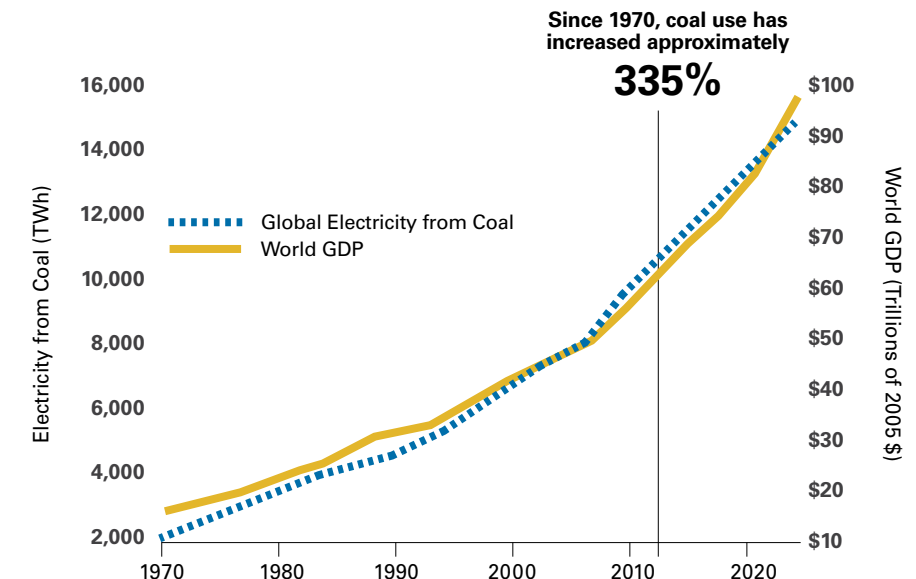
⁶ International Energy Agency, World Energy Outlook, 1995-2011; U.S. Department of Agriculture, 2011.

⁷ International Energy Agency, World Energy Outlook, 2012.

⁸ Platts World Electric Power Plant Database, 2013.

⁹ China Customs, India Market Watch, other proprietary analysis.

The World's Use Of Coal-Fueled Electricity Mirrors Global GDP Growth



Source: Developed from International Energy Agency World Energy Outlook 1995-2013; U.S. Department of Agriculture, 2011.

Coal use has grown in parallel with the expansion of global gross domestic product (GDP), demonstrating a strong link between prosperity and access to affordable power.

increase by a combined 100 million tons by 2016. Peabody is positioned to efficiently serve this growth with a leading presence in both the high-growth Pacific Rim region and lower cost U.S. basins.¹⁰

Coal Advances Environmental Solutions

As the demand for energy increases, the U.S. experience demonstrates that greater deployment of today's advanced clean coal technologies can deliver affordable, reliable power with reduced emissions rates.

State-of-the-art technologies available today reduce key emissions rates by using lime or limestone-based solutions to scrub sulfur dioxide (SO₂), advanced coal burners and catalysts to reduce nitrogen oxides (NO_x) and electrically charged plates or fabric filters to remove particulates. A combination of all of these technologies, in addition to the use of sorbent injection systems, enables highly efficient mercury removal. Coal used for electricity generation in the United States has increased by more than 170 percent since 1970, while major power plant emissions rates have been reduced by nearly 90 percent.¹¹ Today's efficient coal-fueled electric generating plants also reduce carbon dioxide emissions rates by up to 25 percent, compared to older coal plants.

Longer term, increased research and development in carbon capture, use and storage applications would build on this environmental progress toward the ultimate goal: coal-fueled power that is virtually free of emissions.

Coal Advances Energy Access

Securing affordable energy access in the face of unprecedented global demand is vital. Yet, a decade after the United Nations called for an end to extreme global poverty, half the world's population — some 3.5 billion — live without adequate access to energy; as many as 1.2 billion are children.¹² This has devastating social, human health and economic consequences — lives shortened, opportunities lost and economies stalled. Another 2 billion people will need energy over the next two decades, based on population forecasts.

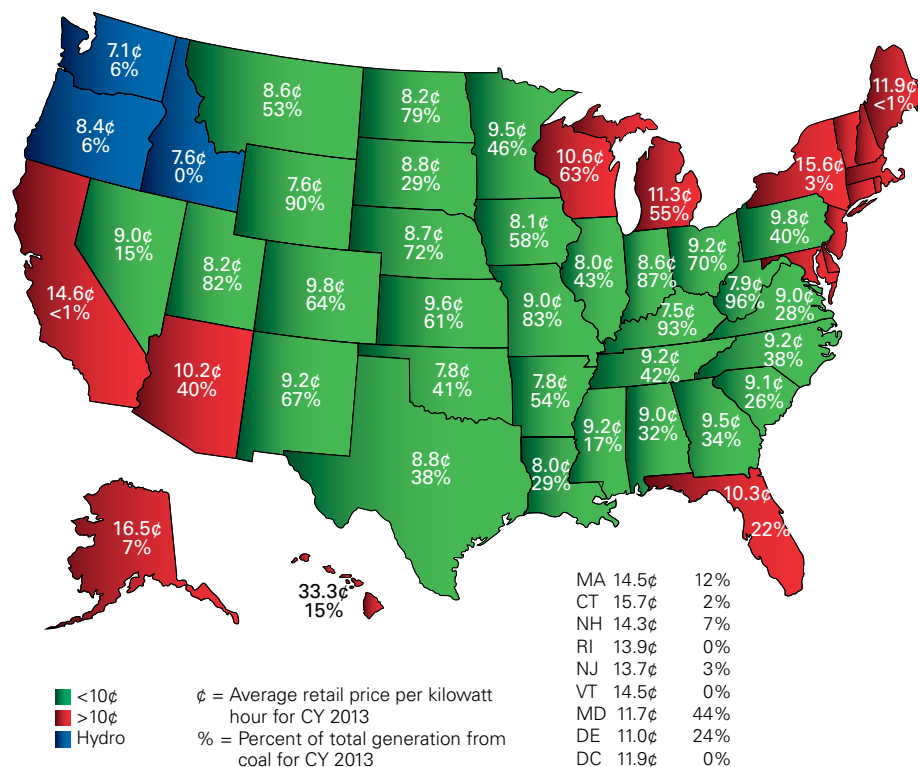
According to advocacy organization Practical Action,¹³ lack of energy access means health services aren't available after sunset or are administered in very poor lighting

conditions. It means no refrigerated storage for medicines and vaccines for diseases that kill approximately 1.7 million children each year. It means inadequate sterilization of medical tools and the inability to use technologies such as X-ray machines, ultrasound machines, incubators for premature babies, and diagnostic equipment for HIV/AIDS. And it means being unable to communicate efficiently with specialists or coordinate with another health care facility in an emergency.

Lack of reliable energy prevents life-saving care and is a direct cause of health problems. Without electricity, people turn to open fires or polluting stoves to cook food or heat

Low-Cost Electricity In America Correlates With States That Use Coal

Retail Cost Per Kilowatt Hours (kWh) And Percent Of Generation From Coal



Source: U.S. Energy Information Administration, March 2014.

The 10 states that use the highest percentage of coal enjoy electricity rates that are about 43 percent less than the cost in states that rely the most on other fuels.

¹⁰ Peabody Energy Global Analytics.

¹¹ U.S. Energy Information Administration (EIA) Short-term Energy Outlook, 2014; EIA Annual Energy Review, 2012; U.S. Department of Agriculture, 2013; U.S. National Energy Technology Laboratory, 2012; U.S. Environmental Protection Agency, "Clean Air Markets," 2013.

¹² The World Bank World Development Indicators 2014; CIA World Factbook 2013-14; United Nations, World Urbanization Prospects, 2011. The Henry J. Kaiser Family Foundation, 2012.

¹³ Practical Action Poor People's Energy Outlook 2013: Energy for Community Services, Rugby, UK: Practical Action Publishing.

their homes. The result: Every year, about 3.5 million people die prematurely from illnesses attributable to fumes and smoke from such fires.¹⁴

Insufficient energy also affects other critical community services. Education is the pathway to economic opportunity, but learning is challenging without power to light or heat classrooms or fuel a safe stove to cook meals in schools. An alarmingly high 50 percent of all children in the developing world attend primary schools with no electricity.¹³

Energy is essential to our modern world, the foundation of our global economy and an engine of progress for billions of people. And Peabody believes that the greatest crisis society confronts is a human crisis driven by the dire effects of energy poverty. This crisis is within the world's power to solve. Every day and everywhere, our world needs more of all forms of energy delivered more reliably, more affordably and cleanly. Coal meets this long-term need.

Global Partnership and Charitable Giving

Peabody earns our license to operate by working to empower healthy, vibrant neighborhoods and sustain flourishing economies in the communities where we do business.

In 2013, Peabody injected \$19 billion¹ into local, state, and provincial economies around the world. This involves \$5.6 billion in direct contributions that create jobs and fuel prosperity, including wages, taxes, capital investments and vendor contracts.

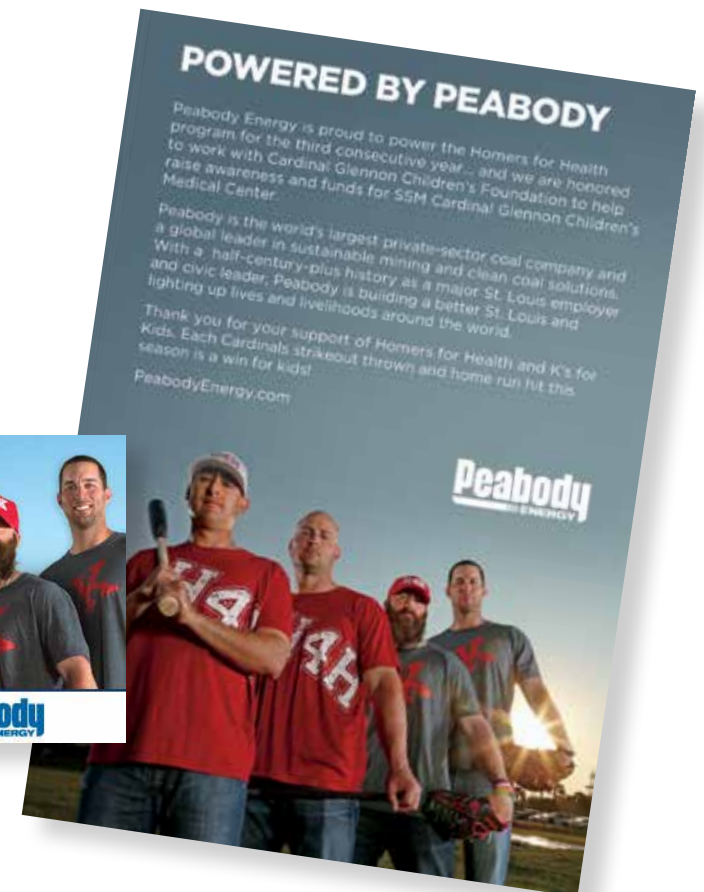
¹⁴ National Geographic, Five Surprising Facts About Energy Poverty, May 2013.

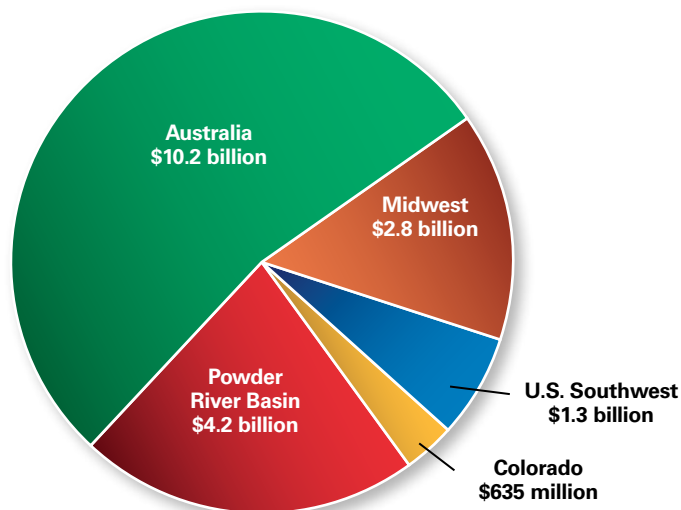
The company seeks to improve lives and livelihoods through philanthropic donations, community outreach endeavors and employee volunteerism. Peabody views good corporate citizenship as making a positive difference in every community where the company has operations and provided nearly \$5 million in charitable funding to organizations primarily in and near the areas where the company had locations in 2013.

Peabody's philanthropic partners share the company's objective to create thriving communities. The company's charitable contributions aim to enhance health and welfare, educate the next generation, and restore, and conserve and beautify the environment – all while encouraging and engaging employees to give back.

As the company navigated challenging market conditions in 2013, Peabody refocused philanthropic giving across its global operations. More than 450 different organizations received funding in the forms of sponsorships or grants.

In 2013, pledges poured in from 38 states, Australia, China and Scotland for Homers for Health, a fundraising program sponsored by Peabody and featuring baseball players from the St. Louis Cardinals team. Donations are based on the team's performance, with proceeds benefiting the young patients at SSM Cardinal Glennon Children's Medical Center.



Peabody Energy 2013 Total Economic Benefits¹

Peabody's operations created about \$19 billion in total economic benefits globally in 2013.

A major area of charitable focus is the company's world headquarters city of St. Louis. For more than half a century, Peabody has called the city home and sought to empower the region. Peabody continued our tradition of corporate citizenship by committing funds to more than 100 unique St. Louis-area organizations in 2013. Notably the company raised more than \$1 million for a second consecutive year to benefit United Way of Greater St. Louis. Chairman and Chief Executive Officer Greg Boyce also chaired the health and human organization's regional fundraising campaign in 2012. Peabody and its St. Louis area employees have donated more than \$3.8 million to the United Way since the start of the decade.

Other visible demonstrations of the company's community commitment in 2013 were a new higher-education partnership with the University of Missouri at St. Louis for the significant renovation and modernization of the university's physics and environmental engineering laboratories. These labs will be used by 1,500 students studying science, technology, engineering and math. Peabody also increased the company's sponsorship of Homers for Health, a community-wide fundraising program featuring St. Louis Cardinals baseball players that since 2012 has raised more than \$1 million for the life-saving work of world-renowned pediatrics hospital SSM Cardinal Glennon Children's Medical Center in St. Louis. Peabody will continue "powering" the program into 2014.

In St. Louis, employee volunteerism increased in 2013; the workforce participated in more than a dozen formal opportunities to support area nonprofits throughout the year. Teams of employees joined Forest Park Forever to re-seed areas of the city's famed Forest Park, and others partnered with Brightside St. Louis to beautify garden beds located along a busy interstate highway. Through a partnership with Easter Seals Midwest, Peabody's employees adopted a home, putting "sweat equity" into landscaping the residence, which is home to people with developmental disabilities. Another team of employees assembled 250 educational care packages for college-bound students from under-resourced backgrounds.

Peabody Energy Charitable Contributions And Scholarships

Dollars in Thousands	2013
Arts and Culture	\$309
Civic and Public Affairs	\$205
Community and Economic Development	\$438
Disaster Relief	\$20
Higher Education	\$614
Education K-12	\$427
Employee Matching Gift Programs*	\$405
Environmental	\$106
Health Care and Social Services	\$1,175
Mining and Coal Education Initiatives	\$670
Scholarships	\$564
Other**	\$64
Total	\$4,997

Peabody seeks to share its success with communities where the company operates. Charitable contributions are focused on education, including \$435,000 for Navajo and Hopi youth scholarships. Other giving enhances health and welfare, restores, and conserves and beautifies the environment and supports volunteerism.

* Includes Dollars for Doers and Political Action Committee matching gifts.

** Funding for inclusion and diversity initiatives, among other causes.



Peabody's Executive Vice President Sharon Fiehler is joined by Peabody board of directors member Sandra Van Trease – both University of Missouri-St. Louis graduates – to dedicate the university's Peabody Energy Physics Laboratory.

Community in Australia

Peabody's community relations program focuses charitable spending closest to the company's operations, with an emphasis on educational outreach, employee engagement and in-kind support for philanthropic organizations.

The company has made an aggressive effort to dispel misconceptions about coal use and coal mining by inviting local communities to tour facilities and introducing residents to safe, state-of-the-art 21st century coal mining. During the Wambo Family Open Day, nearly 400 visitors participated in guided tours of the site, inspecting mining equipment, learning about land restoration practices and exploring a limited portion of the underground mine, which annually produces 3.5 million tons of coal.

Stakeholder dialogue also is a major area of focus. 2013 saw the continuation of Community Consultative Committees at the company's New South Wales sites. These committees bring together trusted local leaders, interest group representatives and councils in an open, two-way discussion around Peabody's mining operations and projects. The meetings offer a valuable forum for residents to express needs, share concerns and work collaboratively toward solutions with mine representatives.

Every six months, Community Information Sessions provide an opportunity for local residents to engage in direct inquiry with site management and technical specialists. Peabody's Landholder Open Days enable local landholders and site neighbors to visit Peabody's mine sites and hear first-hand from senior management teams about current and future operations. All of these initiatives support the company's broader emphasis on transparency and engagement.

The company's Australia-based charitable gifts and employee volunteerism programs ramped up in 2013 with a number of significant and unique projects. Nestled near the second oldest national park in the world, the Metropolitan Mine has produced coking coal for more than 125 years and has supported the nearby township of Helensburgh for just as long. For a fourth year, Peabody is sponsoring a hands-on learning environment at the Helensburgh State School. The program encourages students to create and maintain native plant, sensory, vegetable, herb and beneficial bug gardens. The project is among many supported by the mine to encourage greater environmental awareness and the propagation of native vegetation.



Peabody Wambo electrical engineer Anthony Hughes embarks with his children on an underground tour during a Wambo Family Open Day. Two events were held at the mine over two consecutive weekends and included mine tours and information about career options in the coal industry.



A Coppabella Mine employee helps a student from Coppabella State School “move the mulch” around one of 600 newly planted trees bordering the Coppabella Golf Club.

Environmental awareness programs extend to communities surrounding the company’s Moorvale, Millennium and Coppabella mines. The three operations have invested in a pilot program to build coal literacy and understanding of rehabilitation and land management with students of the local Valkyrie State School. Fifteen students from the one-teacher Bowen Basin school will nurture hundreds of trees. These seedlings ultimately will be planted on-site at Peabody’s Moorvale Mine, contributing to the company’s rehabilitation program. In partnership with the Coppabella community and students from the Coppabella State School, Peabody employees planted 600 trees to coincide with Planet Ark National Tree Day. The trees were placed along a one kilometre strip of property bordering the Coppabella Golf Club, protecting the fairway against erosion and preserving an important recreational facility in the township.

Community in the Americas

Community outreach was core to the company’s activities throughout the Americas in 2013. This commitment was visible in grants, sponsorships and employee volunteerism and fundraising campaigns. Environmental responsibility was a major

area of emphasis. For example, Peabody – working in partnership with the West Central Indiana Watershed Alliance and U.S. Fish and Wildlife Service – provided a unique learning opportunity to students near the company’s Bear Run Mine in Indiana. At Union School, a small pond was transformed by a science class into a hands-on outdoor classroom; Union students planted and maintained habitats, allowing for water sampling and species identification.

Sustaining health and human services also was a focus. Peabody’s Twentymile Mine in Colorado held a successful fundraising campaign for the Moffatt and Routt County United Way organizations, raising more than \$50,500 for a range of health and human service agencies. The mine also continued to support the Healthcare Foundation of Yampa Valley, with funds directed toward the annual “Doc Willett Healthcare Heritage Award,” which honors one outstanding medical professional and one community healthcare advocate who show a longstanding commitment to providing life-saving care in the area.



Miner John Schwartze led a hundred Francisco, Ind., employees in a fundraising competitive run to support prostate cancer awareness and research and to help families suffering from the disease in the surrounding community.

Preserving important heritage can also serve to strengthen communities, which is why the company also worked to save a deteriorating schoolhouse on company land. Listed on the National Register of Historic Places, Foidel Canyon School House in Routt County, Colo., stood vacant since 1957, but once numbered among hundreds of one-room schools erected to educate the children of pioneer families throughout the U.S. West. With crucial funding and countless hours of volunteer-effort, Peabody has nearly completed a renovation of this historic building. The effort was led by Twentymile's Manager of Environmental Affairs Jerry Nettleton. For his efforts, Nettleton was recognized with the Historic Routt County's 2013 Preservation Leadership Award.

Cultural preservation through education and economic development also is essential to the Navajo Nation and Hopi Tribe of the U.S. Southwest. Peabody operates on tribal lands in Northeast Arizona through lease agreements with the Navajo and Hopi. The company creates hundreds of local jobs and has injected \$3.5 billion into tribal economies since operations began, including \$9.4 million in scholarships and \$1.1 billion in tribal payments. In 2013, Peabody provided \$435,000 in scholarships to Navajo and Hopi Youth and also continued funding the Navajo Nation Scholarship Fund. These funds have enabled generations of native youth to achieve dreams of college degrees and to better contribute to the welfare of their communities. Also in the neighboring state of New Mexico, Peabody funneled educational grants to the Cibola- and Grants-area high schools surrounding the company's Lee Ranch and El Segundo mines.

Research and development in advanced 21st century coal mining also is a priority for philanthropic dollars. The company's \$2 million contribution to the University of Wyoming is a case in point. The funds support the university's Energy Innovation Center, which was officially dedicated in the fall of 2013 and serves as the home for energy-related education, research and outreach activities of the School of Energy Resources. The funds endow a Peabody Advanced Coal Technology Laboratory, where post-doctoral, graduate and undergraduate students research the conversion of coal into other high-value products.

Leaders in Education

The best educational systems cannot succeed without the best educators – men and women capable of inspiring lifelong learning and character development. Through public recognition as part of the Leaders in Education program, Peabody promotes the value of these educators within U.S. operational regions and in the St. Louis area. The company's unique program rewards dedicated and compassionate educators



A student at the University of Wyoming School of Energy Resources searches for catalysts, or new materials that can be used to convert coal into high-demand fuels, at the Peabody Energy Advanced Coal Technology Laboratory. Peabody funds research into advanced coal technologies at the University of Wyoming and around the world.

from public, private and independent schools with unrestricted grants and public recognition. Award recipients, from veteran teachers to librarians, administrators and coaches, are selected throughout the school year by local volunteer committees of top educators and business leaders. Each honoree is eligible to be named Educator of the Year, the program's top honor, with an accompanying monetary award. Since the program's inception in 2009, 224 educators have been honored; 1,534 schools in 43 counties have been reached; and more than 1 million students have been touched. In 2013, the program impacted 42 counties across five states, including more than 1,700 schools and more than 1 million students and educators. Nearly 100 educators were recognized.

The Leaders in Education program has been recognized by educators, communities and employees as having significant value and received a Business Impact honor by the Gibson County Chamber of Commerce. The program was a finalist for the Platts Global Energy Awards Corporate and Social Responsibility Award and the

Achievement in Educational Attainment St. Louis Regional Chamber honor. Dozens of Peabody employees have participated in recognition ceremonies for educators. The Leaders program fits within a broader framework of robust company-sponsored scholarship programs that are designed to address societal and economic challenges by encouraging higher education, especially in STEM (science, technology, engineering and mathematics) fields that are in such high demand in the energy industry and beyond.

Empowering Employees to Give Back

Across its global operations, Peabody's employees continue to embrace community outreach and charitable giving. Activities range from participation in educational visits to schools to community field days and fundraisers for neighbors in need.

In 2013, employees and their families found unique and compassionate ways to improve communities. In the United States, the Francisco Mine and Evansville office

joined forces to support the First Annual Prostate Cancer Blue Ribbon River Run. The event, which attracted more than 450 participants, raises awareness and funds to fight the second-most prevalent cancer among American men. Francisco employee John Schwartze bravely fought and won his battle with prostate cancer and served as Honorary Chair for the event, recruiting more than 100 participants for "Team Francisco" and raising \$3,600. Event organizers presented him with the Blue Spirit Award for his leadership. Similarly, an employee at the company's headquarters led the St. Louis metropolitan region in raising \$300,000 to support the Leukemia and Lymphoma Society's Gateway Chapter, earning the Society's "Woman of the Year" honor.

Many of Peabody's Australia operations are in rural, remote areas – hundreds of kilometers from emergency services common in larger communities.

Adam Holt, Welding Technology Instructor at South Technical High School in Sunset Hills, Mo., receives an award as a Peabody Energy Leader in Education.



Peabody operations provide a lifeline in these regions, supplying well-trained volunteer emergency responders and donating equipment. For example, the Coppabella Mine provided portable lighting to the local Walkerston Fire and Rescue Service, eliminating the need for a generator, and a Wilpinjong Mine employee and volunteer firefighter for the Cooyal Fire Brigade helped to extinguish a potentially deadly brush fire near the town of Mudgee, employing a foam cannon Peabody supplied.

Employees have been repeatedly honored for years of on-call performance in the fire and rescue services, assisting with vehicle accidents, fires and floods. In 2013, two Wilkie Creek employees were recognized by the Queensland Fire and Rescue Service for their years of service and a Millennium Mine employee was also awarded for his contributions to the State Emergency Services.



Peabody employees braved frigid winter weather to volunteer for the third consecutive year to collect donations for Heat Up St. Louis, a charity that provides energy assistance to low-income families.

Peabody actively encourages such volunteerism. The company's Dollars for Doers program recognizes employees who volunteer up to 40 hours each year by providing funds to eligible nonprofits. A Matching Gifts program also encourages employees to make personal charitable donations, matching these gifts to eligible nonprofits. The company believes good neighbor practices say something fundamental about who we are and what matters to us, individually and collectively.

Corporate Governance and Ethics

Sound corporate governance is integral to everything we do at Peabody. Responsible conduct, honesty and integrity are essential to the long-term viability of the company. These tenets are foundational and never change, even as we continuously evaluate and adjust governance practices to reflect the high standards of our stakeholders.

The people of Peabody are proud of the way we do business. For more than 130 years, Peabody employees have understood that the best way to provide value for our stakeholders is by staying true to the company's mission, which is prominently displayed in office locations and throughout mining locations: "... to create superior value for shareholders as the leading global supplier of coal, which enables economic prosperity and a better quality of life." This is the company's working statement of principles and receives constant attention.

Corporate Governance Ratings

Peabody's corporate governance program is robust, extensive and subject to ongoing evaluation by independent, third-party rating agencies.

The most prominent corporate governance rating firm, Institutional Shareholder Services (ISS), evaluates a company's key governance practices across four dimensions: Audit, Board Structure, Compensation and Shareholder Rights. The Governance QuickScore 2.0 ranking provides a decile ranking across each dimension (with a 1 indicating lower governance risk and a 10 higher risk) as well as an overall score relative to industry or region. In its current QuickScore ranking, Peabody received an overall QuickScore of 6 and an Audit score of 1, a Board Structure score of 4, a Shareholder Rights score of 6 and a Compensation score of 8.

The board reviews the company's corporate governance practices at least annually to ensure they continue to reflect best practices and promote the best interests of shareholders. During this process, the board solicits input from leading governance advisors who are independent of management. The board also considers views expressed by third parties, including independent governance ratings agencies.

In 2012, the company's shareholder rights plan expired and was not renewed. The company maintains various other shareholder protections.

The board periodically evaluates these protections with assistance from outside experts to confirm that they continue to provide significant benefits and serve the best interests of shareholders.

Board of Directors

Peabody is governed by a board of directors consisting of 12 members as of March 31, 2014. Eleven members of the board are independent under New York Stock Exchange (NYSE) rules. The board of directors appoints and oversees the Chief Executive Officer (CEO) 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.

Additional director biographies and compensation details are featured in Peabody's annual proxy statement. The board has appointed five standing committees from among its members to assist it in carrying out its obligations.



These include the Audit Committee; Compensation Committee; Executive Committee; Health, Safety, Security and Environmental Committee; and Nominating and Corporate Governance Committee. Each standing committee has adopted a formal charter that describes in detail its purpose, organizational structure and responsibilities.

Corporate Governance 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, and management evaluation and succession. Peabody governance practices include the following:

- At least a majority of the company's directors must meet the criteria for independence established by the 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, Health, Safety, Security and Environmental and Nominating and Corporate Governance Committees are comprised entirely of independent directors.
- The board has established a robust Lead Independent Director role.
- Non-management directors meet at each board meeting in executive session 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 each committee have the authority to hire independent legal, financial and other advisors without consulting or obtaining the advance approval of any officer.

- Each member of the Audit Committee has 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 "claw back" 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 our 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.

Code of Business Conduct and Ethics

Directors, officers and salaried employees must adhere to a rigorous Code of Business Conduct and Ethics, which is designed to avoid conflicts of interest, achieve compliance with laws and protect our company assets. This code defines ethical standards to help establish and maintain our reputation as a world-class company. Employees regularly certify their obligation to act in a responsible, ethical and constructive manner through workplace communications and training sessions. All salaried employees annually are required to take online training and provide written certification of compliance with the Code. Any exceptions or qualifications

are investigated and reported to the board of directors. Any modification in or waiver of the Code for executive officers or directors must be approved in advance by the board of directors and promptly disclosed as required by law or stock exchange regulations.

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 Energy, Peabody Plaza, 701 Market St., St. Louis, MO 63101. These written communications are forwarded to each board member 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 to their supervisors or human resources representatives.

If this type of communication is not a viable option based on the nature of the issue, the company has established a third-party hotline called Tell Peabody that allows for confidential and anonymous communication of potential concerns. These are reported to the company's chief compliance officer, who determines the appropriate action, including investigation. Report summaries are routinely distributed to senior management and discussed with the Nominating and Corporate Governance Committee.

Peabody ensures that key corporate compliance and governance information and documents are accessible to shareholders and other stakeholders on PeabodyEnergy.com and in the company's annual proxy statement.



To ensure legal and ethical compliance, regular training sessions are conducted at appropriate levels on a variety of topics, including safety, environmental laws, antitrust and competition laws, anti-bribery and corruption laws, securities and insider trading laws, equal employment opportunity matters, and discrimination and sexual harassment laws. Peabody also maintains robust corporate compliance policies and approval processes that are updated regularly and communicated throughout the organization.

The company has formalized existing relationships between Law, Compliance and Ethics, Internal Audit, Risk, Supply Chain, Human Resources and Corporate Security through the creation of a Compliance Committee comprised of senior management representatives from each area. Key oversight areas for the Compliance Committee are: compliance and ethics, internal audit, risk and enterprise risk management.

Peabody's current compliance program incorporates many effective elements. Still, the company's executive leadership believes this is an area that requires continuous attention. Peabody continues to supplement its risk management assessment to ensure that all significant legal risks affecting its businesses have been identified, and that appropriate training programs and policies are in place to mitigate those risks and detect violations.



All employees and stakeholders who work with or for Peabody are expected to be invested in good corporate governance. The company offers robust ethics training and the Tell Peabody hotline, an anonymous, secure method to report incidents that occur in the workplace.



2014 Economic and Corporate Responsibility Objectives

Peabody targets the following economic and corporate responsibility priorities for 2014:

- Peabody will advance its advocacy of coal's benefits for society in the United States and Australia through leadership in major trade associations, direct government relations and media activities.
- Peabody will continue to advance its community relations presence through signature programs and strategic community partnership initiatives in the regions surrounding operations.
- Peabody will continue to carefully review appropriate corporate governance practices to ensure compliance with laws, such as the Sarbanes-Oxley Act and New York Stock Exchange regulations.
- Peabody will advance its succession planning and talent management programs.
- Peabody will continue to evaluate and monitor changes to corporate governance and executive compensation trends and implement best practices.

PUBLIC RESPONSIBILITY



Every day, Peabody Energy advocates for energy security, economic growth and environmental solutions through greater use of coal and advanced clean coal technologies.

In the Public Responsibility section, find more information on the following initiatives to support these objectives:

- *Advanced Energy for Life* Campaign
- Today's Advanced Coal Technologies
- Next Generation Technologies and Near-Zero Emissions
- Btu Conversion Technologies
- Political and Lobbying Activities

Every day, more than 365,000 babies are born and some 340,000 people gain access to modern electricity for the first time. Every day, more than 85,000 people move to cities in China and India, 950,000 Twitter accounts are opened and more than 1 million people open an Internet account.

And every day, 21 million tons of coal are used to help power these needs.¹

Peabody believes affordable energy from coal is the foundation of our global economy and a fuel for social progress. The United Nations links life expectancy, educational attainment and income with per capita energy use, and studies show that each tenfold increase in electricity is linked to a 10-year increase in longevity.

¹ U.N. Development Programme, 2013; India Minister of Urban Development, 2012; The Next Web, 2012; Internet World Stat, 2013; Mining Weekly, 2013; Oxfam 2013; International Energy Agency, 2013; and Wards Auto, 2013.

The world's strongest economies continue to turn to coal as the only affordable fuel, at scale, that can meet growing energy needs. Coal makes up more than half of global energy resources. It is widely dispersed, broadly available, easily transported, energy-dense and accessible.

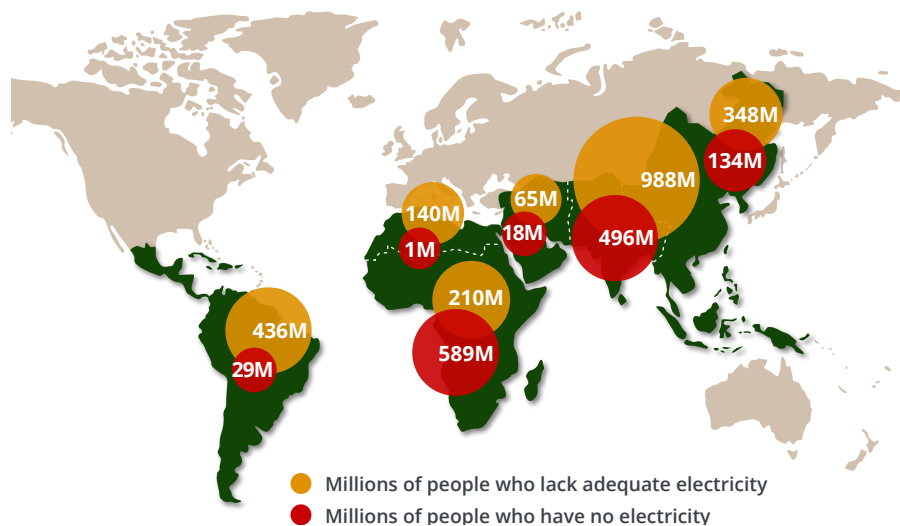
Coal is projected to overtake oil as the world's largest energy source in the coming years; this growth is expected to be driven by an enormous global increase in demand for low-cost energy. Over the next three years, global coal demand is expected to rise some 700 million tonnes, led by urbanization and industrialization in China and India.²

Advanced Energy for Life

Energy is essential – no different than food or water. Yet, a decade after the United Nations called for an end to extreme global poverty, half the world's population – some

Energy Is A Human Right And A Rapidly Rising Need

3.5 Billion People Lack Proper Access To Electricity



Sources: International Energy Agency World Energy Outlook 2012 and The World Bank World Development Indicators 2012, CIA World Factbook 2012

As much as half the world's population – some 3.5 billion people – lack adequate energy. The world has the technologies and the resources to end this crisis, and coal has the scale to meet this need.

3.5 billion individuals – live without adequate access to energy. This shortens lives, limits opportunities and impedes economic growth. In just 20 years, another 2 billion people will need energy, based on population forecasts.

Both developing and developed nations must confront unequal access to energy. In the United States, a record 115 million Americans qualify for energy assistance, which causes far too many families to struggle to pay for both food and energy.³

Globally, an estimated 1 billion people receive sub-standard health care due to a lack of electricity in the supply chain, which prevents refrigeration of medicines and vaccines, sterilization of medical tools, or the use of X-ray machines, ultrasound or incubators.⁴

In any action plan to end global energy poverty and increase access to low-cost electricity, all energy forms are necessary. Still, coal is the most abundant energy source and fastest-growing major fuel. Coal plays a key role in efforts to end global energy poverty and increase access to low-cost electricity – while today's advanced technologies improve emissions rates.

Peabody has long held that we can put people first by putting energy first. The company has outlined a five-point plan to provide universal energy access by 2050.

The plan seeks to:

- Eliminate energy poverty by ensuring that at least half of new generation is coal-fueled;
- Replace older traditional coal plants with today's advanced coal technologies;
- Develop at least 100 major carbon capture, use and storage projects around the world;
- Deploy significant coal-to-gas, coal-to-chemicals and coal-to-liquids projects globally in the next decade;
- Commercialize next generation clean coal technologies to achieve near-zero emissions.

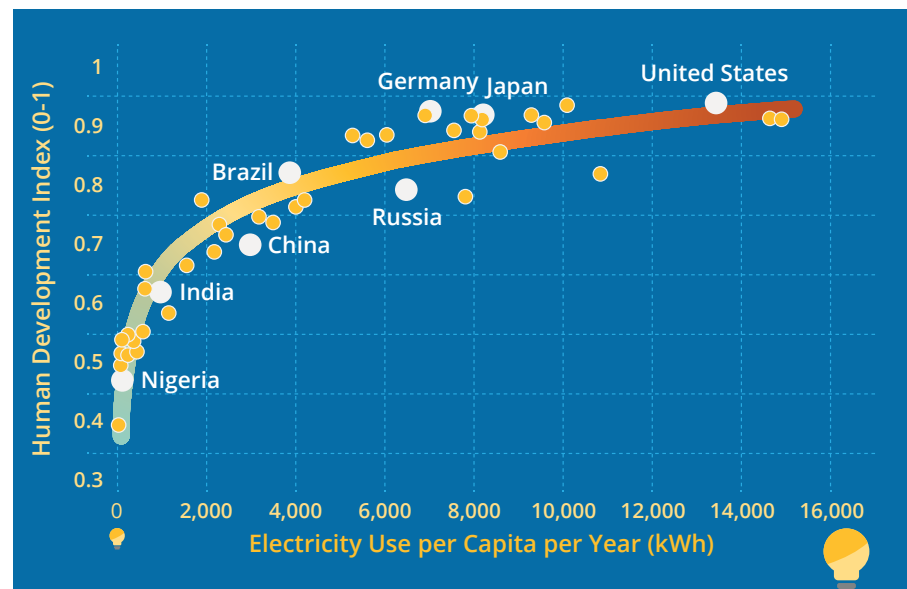
² Platts World Electric Power Plant Database, 2013.

³ "Climbing Costs of Heating Homes: Why LIHEAP is Essential," Subcommittee on Children and Families, Senate Health, Education, Labor and Pensions Committee, United States, 2008.

⁴ Practical Action Poor People's Energy Outlook 2013: Energy for Community Services, Rugby, UK: Practical Action Publishing.

Greater Electricity Use Extends Longevity

United Nations Links Affordable Energy To Quality Of Life



Source: World Bank, 2012; United Nations, 2012.

Life expectancy, educational attainment and lower poverty levels are all statistically connected to higher levels of electricity use. Greater access to electricity leads to enormous improvements in standard of living.

The world has the technologies and the resources to end this crisis. Peabody's global advocacy initiative – Advanced Energy for Life – provides a path. The initiative highlights priorities to end energy poverty, increase access to low-cost electricity and improve emissions rates using currently available advanced clean coal technologies.

Today's Advanced Coal Technologies Drive Ultra-Low Emissions Rates

Clean coal technologies have powered a major environmental success story. As major technologies have come on line, the United States has made significant strides in reducing sulfur dioxide, nitrogen oxides and other emissions. Use of coal for electricity has nearly tripled since 1970, as major emissions per megawatt hour have decreased by nearly 90 percent.⁵ This decline in emissions rates has been achieved through the deployment of modern technologies that allow coal-fueled electricity generating plants

to produce more power with fewer emissions. Utilities have invested more than \$100 billion in these technologies in recent decades.⁶

Upgrading the world's coal fleet with technologies available today would deliver a 90 percent improvement in sulfur dioxide, 93 percent less nitrogen oxide and virtually zero particulates. Doing so also would achieve carbon dioxide emissions rates that are 25 percent below the oldest U.S. plants. Replacing older coal plants with current advanced generation could create \$4.3 trillion in economic benefits and 21 million new jobs during a four-year construction process, according to a study by Management Information Services. All of this can be achieved without carbon capture and storage (CCS), and these plants would be carbon capture ready when the technology is commercially deployable.

For example, pulverized coal combustion (PCC) systems – utilizing supercritical and ultra-supercritical technology – operate at higher temperatures and pressures and therefore achieve greater efficiencies than conventional units, driving significant carbon dioxide (CO₂) and other emission reductions.⁷

Ultra-supercritical units operate at even higher efficiencies of up to 48 percent. Ultra-supercritical technology has been advanced in the United States, China, Denmark, Germany, Japan and other nations. It has improved plant efficiencies and reduced fuel costs.

Next-Generation Technologies Work Toward Ultimate Goal of Near-Zero Emissions

To address concerns about carbon dioxide (CO₂), nations are also turning to technologies to capture, store and use the greenhouse gas. These involve injecting CO₂ into oil fields or other deep geologic formations, such as deep saline reservoirs.

The world has centuries of potential storage capacity, and researchers have identified storage locations capable of holding at least a century of CO₂ emissions from power plants. The International Energy Agency has called on countries to commission 2,000 plants by mid-century.

⁵ U.S. Energy Information Administration (EIA) 2014 Annual Energy Outlook, 2013; EIA Annual Energy Review, 2012; U.S. Department of Agriculture, 2013; U.S. National Energy Technology Laboratory, 2012; U.S. Environmental Protection Agency, "Clean Air Markets," 2013.

⁶ American Coalition for Clean Coal Electricity comments to EPA on PM2.5 Proposal, Aug. 31, 2012.

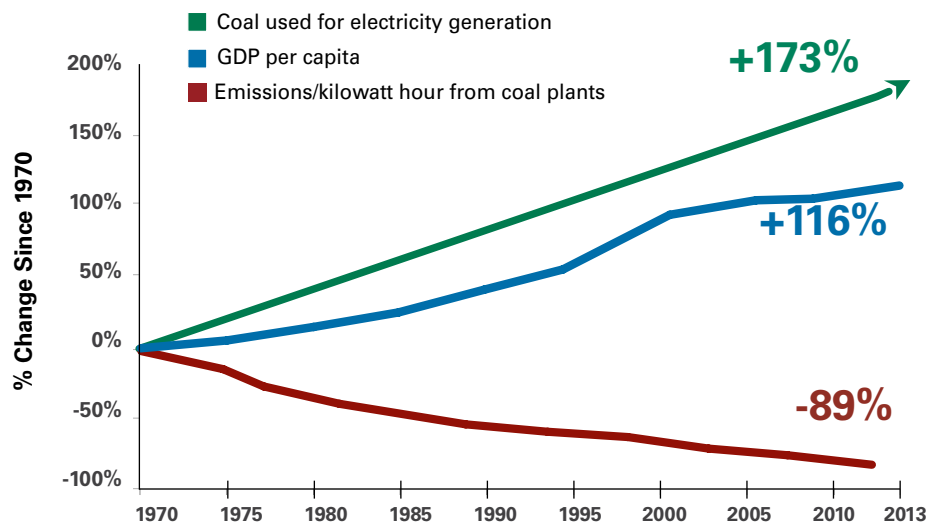
⁷ International Energy Agency publication "Technology Roadmap: High-Efficiency, Low-Emissions Coal-Fired Power Generation," Dec. 4, 2012.

Greater deployment of today's state-of-the-art technologies will continue to achieve environmental goals as the industry pursues next-generation technologies toward the ultimate goal of near-zero emissions with carbon capture. Peabody continues to advocate for the clear regulatory and legal frameworks to broadly advance technologies on a global scale.

Near-Zero Emissions and Low Carbon Projects

Peabody is a leader in sustainable mining and clean coal solutions, with low-emissions, low-carbon projects and partnerships in the United States, China and Australia.

Coal Use Dramatically Increases, Key Emissions Rates Decline 89%



Sources: U.S. Energy Information Administration (EIA) 2014 Annual Energy Outlook, 2013; EIA Annual Energy Review, 2012; U.S. Department of Agriculture, 2013; U.S. National Energy Technology Laboratory, 2012; U.S. Environmental Protection Agency, "Clean Air Markets," 2013.

Coal's environmental efficiency continues to improve through use of advanced clean coal technologies. Criteria emissions rates have been reduced 89 percent per megawatt hour, in step with a near tripling of U.S. coal used for generation and doubling of gross domestic product per capita since 1970.



Peabody is advancing projects and partnerships in the United States, China and Australia toward the ultimate goal of near-zero emissions from coal. Chief among these is the GreenGen power plant and carbon research facility. Peabody is the only non-Chinese equity partner in the project, which commissioned the first unit in 2012.

China Initiatives

GreenGen, Tianjin, China

The GreenGen power plant and carbon research center in Tianjin, China, commissioned its first 250 megawatt gasification unit in 2012. In later phases of development, GreenGen will increase generation to 650 megawatts and intends to capture CO₂ for enhanced oil recovery in the nearby Dagang oil field. This major coal gasification project ultimately could be the world's largest near-zero emissions coal plant.⁸ It is a global model, and Peabody is the project's only non-Chinese partner.

⁸ China Huaneng Group news release, Dec. 12, 2012.

China and United States Energy Cooperation Program, Beijing

Peabody is a founding member of the U.S.-China Energy Cooperation Program, which includes Fortune 500 companies pursuing clean energy projects in coordination with key government agencies of both countries. Participants are advancing a variety of projects, including coal-based power generation with carbon capture storage and use, smart power grid development and clean transportation.

U.S. Initiatives

FutureGen, Illinois

Peabody is a founding member of the FutureGen Alliance, a consortium of energy and coal companies cooperating with the U.S. Department of Energy (DOE) to develop a first-of-its-kind, near-zero emissions coal-fueled power plant. The project will involve upgrading the Meredosia Energy Center in Illinois with oxy-combustion technology to capture 90 percent of the plant's carbon emissions. The technology is lower in carbon dioxide than conventional natural gas combined cycle plants and potentially lower cost than other forms of post-combustion carbon capture. Using safe, proven pipeline technology, the plant will transport carbon dioxide to Morgan County, Ill., where it will be stored in deep geologic formations.

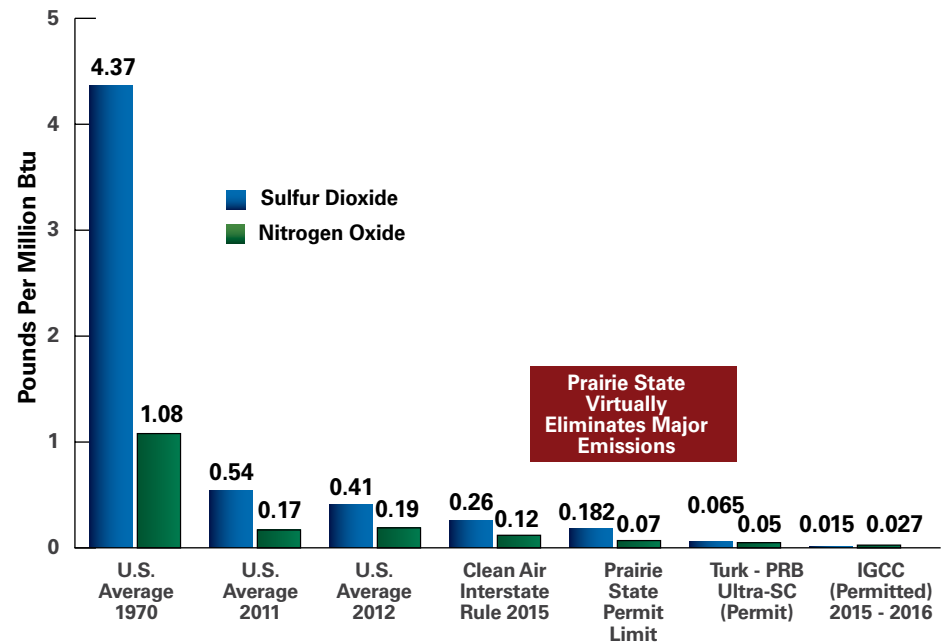
Prairie State, Illinois

Peabody owns a 5 percent equity stake in the Prairie State Energy Campus in Southern Illinois, one of the largest new coal-fueled generating plants to be built in America in the last quarter century. The plant's second unit started up in late 2012, and the project is among the most efficient coal-fueled plants in the nation, virtually eliminating major emissions. Sound long-term forecasts show electricity costs from Prairie State will be extremely competitive with other fuels during the anticipated 30-year life of the facility. Prairie State has the lowest fuel and operating costs of any coal plant in the United States. Fueling the campus costs less than \$1 per million British thermal units (mmBtu), well below the price of natural gas. Additionally, Prairie State's mine-mouth design delivers security; the plant owns its 30-year supply of coal.

Consortium for Clean Coal Utilization, St. Louis

Peabody is a founding member of the consortium, which is advancing coal and energy research at Washington University in St. Louis. The center is testing oxy-coal combustion and use of CO₂ to grow certain species of algae. As part of the International Center for Advanced Renewable Energy and Sustainability,

Prairie State Energy Campus Demonstrates Environmental Benefits of Advanced Clean Coal Technology



Source: EPA's Clean Air Markets database, July 2012; Project Permits.

Equipped with \$1 billion in environmental controls, the Prairie State Energy Campus in Southern Illinois is an environmental success story with key emission rates significantly below the U.S. coal plant average.

the consortium belongs to a partnership of universities, industry leaders and foundations advancing clean coal technologies.

National Carbon Capture Center, Alabama

Peabody is a founding member of the carbon research center, a public-private partnership with the U.S. DOE to advance low-carbon technologies at a research center in Wilsonville, Ala. The center brings scientists and technology experts together to analyze technologies in a coal-fueled power plant setting. Sponsors include Peabody, Arch, AEP, Southern, Luminant, the U.S. DOE and the Electric Power Research Institute.

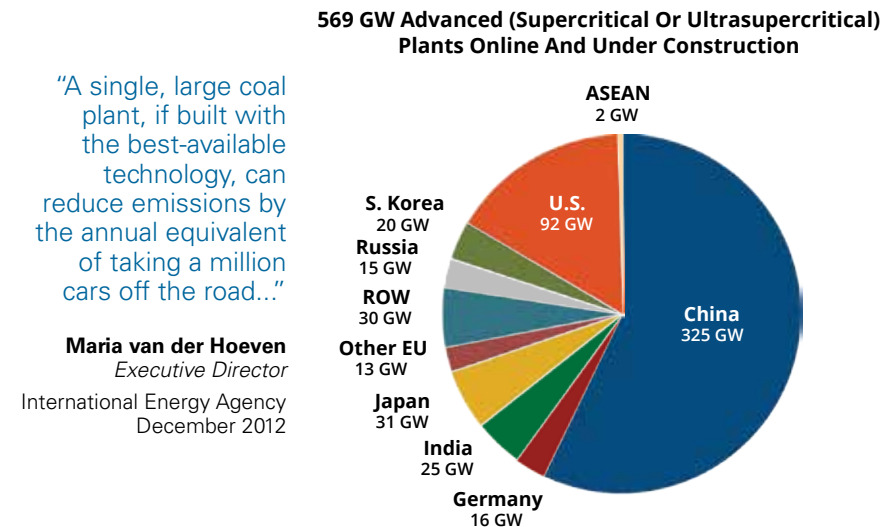
Australia Initiatives

COAL21 Fund, Canberra

Peabody is a founding member of the \$1 billion COAL21 Fund in Australia, 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 and its Australian operations have contributed more than \$18 million to the Fund.

COAL21's flagship project is the 30 megawatt Callide-A Oxy-fuel Project in Queensland, which commenced carbon capture in December 2012. This is the world's first demonstration of its kind and is designed to capture 70 tonnes per day for two years.

China Leads The World In Deploying Advanced Coal Technologies



Source: Platts World Electric Power Plant Database, December 2013.

There are more than 550 gigawatts of advanced coal-fueled plants in operation or under construction worldwide.

Global Carbon Capture and Storage Institute, Canberra

Peabody is a founding member of the Global Carbon Capture and Storage Institute, which is hosted by the Australian government and has a mandate of developing 20 integrated industrial-scale carbon storage projects in 10 years. The institute has a number of strategic partners that include the Carbon Sequestration Leadership Forum, the International Energy Agency, the World Coal Association, the International Aluminum Institute, the Carbon Capture and Storage Association, the Asian Development Bank, the World Bank, the Climate Group and the Clinton Climate Initiative.

Btu Conversion Technologies

Securing a sustainable energy future is a worldwide concern at a time when energy resources remain centered in unstable regions, subject to cartels to control price and supply, or too small to produce meaningful baseload power. Affordable, easily transported and energy-dense, coal is the world's most widely available fossil fuel resource. Coal's versatility is a core advantage, as Btu Conversion technologies allow coal to be converted into multiple high-demand forms of energy.

Nations are implementing projects to convert coal to diesel and jet fuels through liquefaction, which is economic as prices for oil reach \$100 per barrel. Coal can also become a substitute natural gas and is a feedstock for multiple chemicals. China is leading this expansion, prompted by expensive and unstable imports and rapidly rising demand. Coal-to-chemical conversion is currently one of the fastest-growing uses for coal in the nation, and China has initiated pilot projects totaling \$14 billion that are set to deliver 15 billion cubic meters of substitute natural gas by 2015.

Political and Lobbying Activities

Given Peabody's global role as a leader in the coal industry, we believe it is essential for us to participate constructively and responsibly in the political process to help shape the proper framework for global energy, environmental and economic policies. We are particularly focused on advancing the worldwide use of coal as the only energy resource that can be deployed at scale in a sustainable manner to eradicate energy poverty and elevate the living standard of the human community to that enjoyed by the peoples of the developed world.

Peabody's political and lobbying activities are directed by our executive leadership team with oversight from Peabody'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 under the "Corporate Responsibility" tab on the home page of 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.

Political contributions by Peabody and the Peabody Energy Corporation Political Action Committee (Peabody PAC) and Peabody's U.S. lobbying expenditures are a matter of public record, and the most current information is available to interested parties through sources such as 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 and 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 the greatest benefit to Peabody.

Oversight by the Board of Directors

As part of its oversight role, the Nominating and Corporate Governance Committee of our board of directors reviews – at least annually – 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 (to the extent permitted by law) and the Peabody PAC, 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 makes political contributions when we determine doing so to be in the best interests of the company. These contributions require the approval of Peabody's Senior Vice President – Government Relations and Executive Vice President Law, Chief Legal Officer and Secretary.

In 2013, Peabody made \$127,600 in U.S. corporate political contributions. A link to an itemized list of the 2013 Peabody contributions can be found under the "Corporate Responsibility" tab on the home page of PeabodyEnergy.com.

During 2013, Peabody did not make any independent political expenditures to expressly support or oppose any candidate or political party.

Peabody PAC

Peabody has established a separate segregated fund under federal law – the Peabody PAC. The Peabody PAC is a nonpartisan political fund that provides financial support to candidates and office holders whose views correspond with the interests of Peabody. The Peabody PAC is funded entirely through voluntary contributions from eligible contributors, primarily from Peabody employees who meet certain eligibility requirements. By law, 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 Chairman and Chief Executive Officer, and that board approves all Peabody PAC contributions.

In 2013, the Peabody PAC made \$127,500 in U.S. political contributions.

A link to an itemized list of the 2013 Peabody PAC contributions can be found under the "Corporate Responsibility" tab on the home page of PeabodyEnergy.com.

Lobbying

Peabody tracks proposed legislation and engages with governments around the world to advocate our positions on policies that impact our business. 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.

Pursuant to 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 to the general public 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 instructions for filing the reports. These reports reflect that Peabody's total U.S. federal lobbying expense for 2013 was approximately \$2.76 million, as determined using the Lobbying Disclosure Act method for reporting such expenditures. A link to Peabody's 2013 Lobbying Disclosure Act reports can be found under the "Corporate Responsibility" tab on the home page of PeabodyEnergy.com.

Peabody filed one lobbying disclosure report with the State of Illinois related to U.S. state lobbying activities in 2013. According to this report, we had \$190.81 in reportable 2013 lobbying expense in Illinois.

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 debates led by governments and other stakeholders and they help the industry reach consensus on policy issues.

Following is a listing of such organizations in which we are members and to which we paid annual dues or other payments of \$10,000 or more in 2013:

United States

- American Australian Association
- American Coalition for Clean Coal Electricity (ACCCE)
- American Legislative Exchange Council
- American Tort Reform Association
- Arizona Chamber of Commerce & Industry
- Arizona Mining Association
- Balanced Energy for Arkansas
- Balanced Energy for Texas
- BCOA Safety and Health Committee
- Business Council
- Business Roundtable
- Campbell County Chamber of Commerce (WY)
- Campbell County Economic Development Corp (WY)
- Coal Industry Advisory Board
- Coal Utilization Research Council
- Colorado Mining Association
- Consumer Coalition of Oklahoma
- The Conference Board
- Gasification Technologies Council
- Illinois Coal Association
- Indiana Coal Council
- Meridian International Center
- National Association of Manufacturers
- National Coal Council
- National Mining Association
- New Mexico Mining Association
- North American Carbon Capture & Storage Association
- Partnership for Downtown St. Louis
- St. Louis Regional Chamber & Growth Association
- U.S. Chamber of Commerce
- U.S. – ASEAN Business Council
- U.S. – China Business Council
- World Coal Association

- Wyoming Mining Association
- Wyoming Taxpayers Association

Australia

- ACALET (Australian Coal Association Low Emission Technologies)
- ACARP (Australian Coal Association Research Program)
- CMTE Development Limited
- Minerals Council of Australia
- New South Wales Mineral Council
- Queensland Resource Council

Peabody has been advised that approximately \$930,000 of the annual dues and other company payments to U.S. industry groups and trade associations in 2013 were used for lobbying expenditures and/or political activities. A link to an itemized list of U.S. industry group and trade association annual dues and other payments used for lobbying expenditures and/or political activities for those organizations whose total annual dues and other payments were \$10,000 or more in 2013 can be found under the “Corporate Responsibility” tab on the home page of PeabodyEnergy.com.



2014 Public Responsibility Objectives

Peabody targets the following public responsibility priorities for 2014:

- Peabody will educate and mobilize multi-national organizations, institutions, non-governmental organizations and others to drive policies and support actions that increase access to reliable, low-cost power – particularly today's coal-fueled generation – that extends lives, builds economies and improves both natural and indoor environments.
- The company will continue to build awareness and support to eliminate the crisis of global energy poverty, which affects half the world's population and leads to crippling impacts to human health and standards of living and damage to the environment.
- Peabody will work to employ today's advanced technologies to reduce key power plant emissions rates. Longer term, Peabody will pursue greater development of next-generation technologies and the regulatory framework to capture, use and store carbon dioxide emissions.

EMPLOYEE

RESPONSIBILITY



Peabody Energy leads through inspiration, innovation, collaboration and execution and seeks to provide a work environment that engages, empowers and develops employees.

Within the Employee Responsibility section, you will find more about:

- Global Safety Results
- Emergency Preparedness
- Safety Achievements and Business Unit Initiatives
- Employee Relations
- Global Inclusion and Diversity
- Workforce Planning
- Employee Development
- Health and Wellness
- 2014 Objectives

Peabody recognizes that employees want a sense of purpose and seek to belong to a company whose values match their own.

Peabody strives to be that global workplace. We empower 8,300 people through a culture of collaboration, high performance, mutual trust and respect, and continuous improvement. Our employees, customers and stakeholders know that we strive for excellence, are accountable for what we do and deliver on our commitments.

Peabody's culture is grounded in health and safety – our leading measure of operational excellence. The company seeks to operate safe workplaces that are incident free, without injuries, occupational illnesses, property damage or near misses. Strong communications, training and prevention programs support our vision. In 2013, Peabody tied its record safety performance of 2012, as measured by incidence rate.

Inclusion and diversity are also core areas of focus. We believe it is important to reflect the multicultural and multigenerational communities where we work and the global markets we serve. Peabody welcomes diverse experiences and ideas to improve business results and anchor the company within its communities.

Peabody's success is ultimately shaped by our workforce's skills, and the company offers robust learning and career development opportunities. We seek continuous improvement through innovation, analytics and change. Comprehensive benefits and competitive compensation programs help complete our employee value proposition.

Global Safety Results

Safety is a way of life at Peabody, and our safety vision of zero incidents guides our every action. Every employee commits to this vision and is accountable for safe behavior and practices at work and away.

The company's ultimate objective is to operate without an incident of any kind. Peabody emphasizes safe work practices; open dialogue; establishing, following and improving safety standards; employee involvement in safety processes and recording; and the reporting and investigating of accidents, incidents and losses to avoid recurrence. Personal accountability is paramount, and every employee commits to company safety goals and governing principles.



A worker at the North Antelope Rochelle Mine in Wyoming “chocks,” or backstops, the tire of a 420-ton haul truck to prevent unintended movement of the massive machine. This is one of the many rigorous practices that continue to result in improved safety at Peabody Energy.

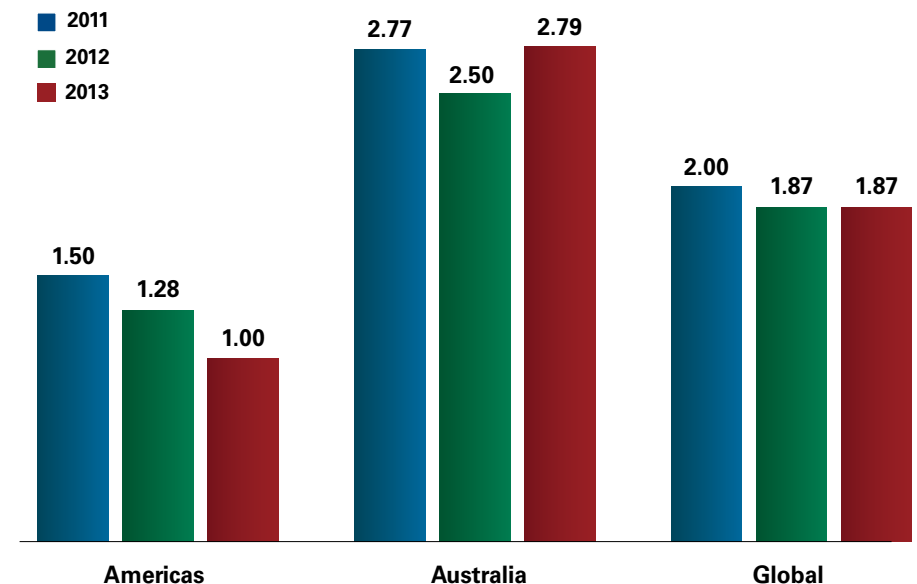
Senior leaders, managers, frontline supervisors and other employees are equally responsible for personal safety and the safety of others.

In 2013, Peabody tied its record 2012 global safety results with an incidence rate of 1.87.¹ This incidence rate is monitored through the company's safety tracking system globally and represents the number of injuries that occurred for each of 200,000 employee hours worked. Employee achievements in safety were further recognized with 12 major safety honors during the year.

Peabody seeks safety improvement at all levels of the organization; we also recognize that when a fatality occurs, statistics fall short. On July 2, 2013, a fellow employee, Nathan D. Clarida, tragically lost his life following a coal haulage incident at Peabody's

In 2013, Peabody Ties Global Safety Record From 2012

Incidence Rate Per 200,000 Hours Worked



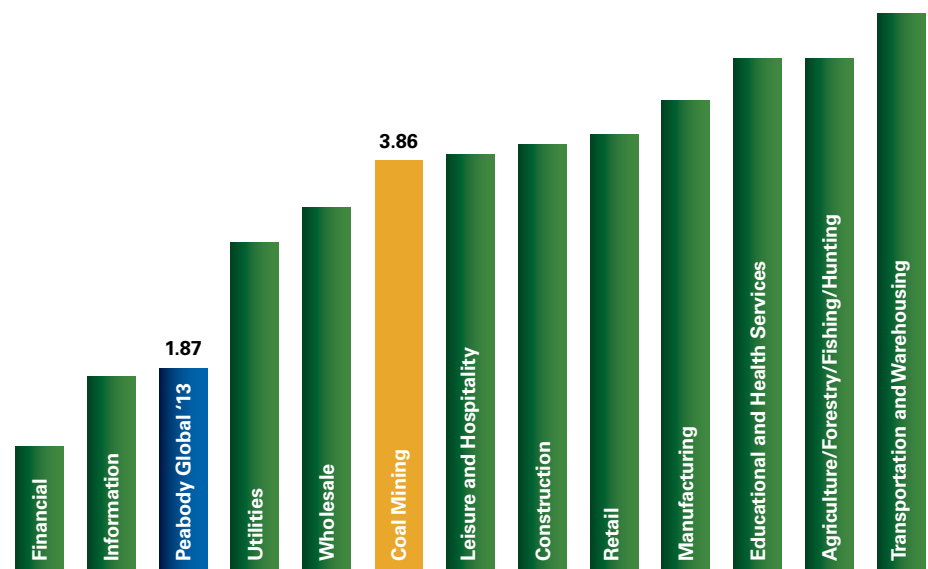
For the year ended Dec. 31, 2011, results exclude PEA-PCI, previously Macarthur Coal Limited.

Strong training and communications programs helped Peabody achieve a global incidence rate more than 45 percent better than the U.S. average.

¹ Peabody Energy 2012 reporting excluded discontinued operations, while 2013 reporting included discontinued operations.

2013 U.S. Incidence Rate: Peabody Compared To Other Industries

Incidents Per 200,000 Hours Worked



Source: Peabody 2013 data; U.S. Department of Labor, Occupational Safety and Health Administration, 2012 data; Mine Safety and Health Administration, January – September 2013 (Preliminary) data.

Working at a coal mine in the United States continues to be safer than industries ranging from retail to construction, based on incidence rates. And Peabody Energy is a safety leader, with a global incidence rate that is superior to the average reported by the highly regulated public utility sector.

Wildcat Hills Mine in Southern Illinois. The 35-year-old miner operator, father, son and friend was struck by a battery coal hauler tramping through an underground ventilation curtain. This loss was deeply felt by employees around the world and is absolutely unacceptable at Peabody. We initiated a thorough investigation in cooperation with federal and state officials. The company renewed our focus on preventing the low-probability, high-consequence events that can lead to such serious and even fatal events. For example, we implemented commercially available surveillance systems on battery-powered coal haulers, clear material for ventilation curtains and other controls.

The Americas-based leadership also spent two full days evaluating safety and risk management practices, and personal safety leadership plans are now standard for

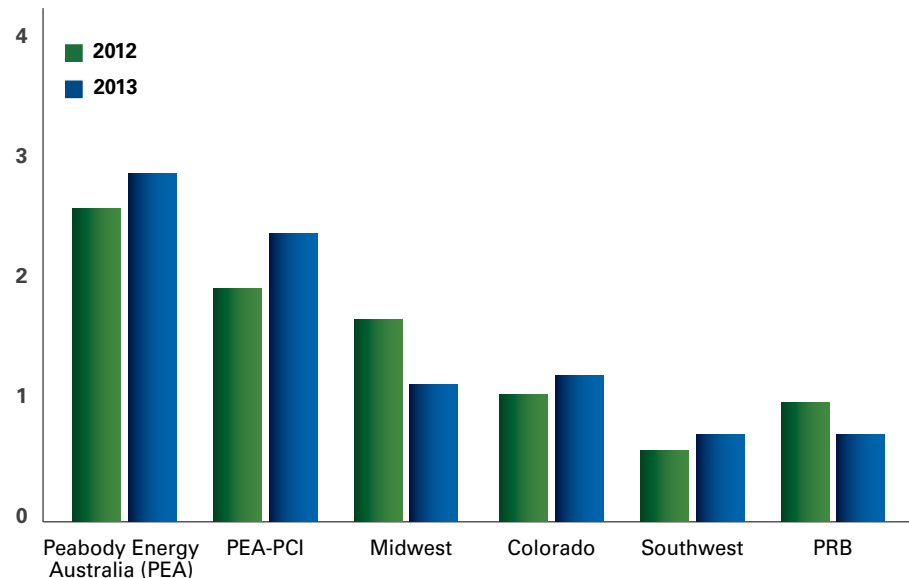
all operations managers, who also undergo Safety Leadership Training. Site human resources managers, too, participate in safety training, with an emphasis on risk assessment and behavioral interactions.

Peabody has produced approximately 17 percent of U.S. coal industry volumes since 2000; fatal incidents involving Peabody employees and contractors comprise approximately 3 percent of the industry total over this time period.² Still, six fatalities have occurred at company sites over the past six years, including contract workers, and there is only one acceptable standard at Peabody: to achieve an incident-free work environment. The company closed the Willow Lake Mine in 2012 because the operation did not meet our safety expectations.

This past year, Peabody updated its internal safety reporting, embracing more comprehensive standards for contractors, managed sites and offices. Going forward, regular safety reporting will now include reported or observed incidents at all surface

Regional Safety Performance Across Peabody Energy in 2013

Incidents Per 200,000 Hours Worked



Significant safety improvement in the U.S. Midwest helped Peabody balance increased incidence rates in all other regions, enabling the company to tie its 2012 record for global safety results – the best in the company's history.

² Mine Safety and Health Administration, Ventyx database, 2000-2013.

and underground operations as well as safety incidents at project sites, office environments and discontinued operations that may host land restoration activities. In addition, “Peabody Significant Incident” (PSI) reporting was standardized and introduced globally during the year. The PSI shows incidents that took place – or potentially could have occurred – resulting in an individual being exposed to fatal risk or an incident breaching the “Cardinal Rules” or “Life Saving Rules” – a set of safety principles first developed for Peabody’s Australia platform and now being extended globally. This new metric is another means to track and drive continuous improvement.

Worldwide, Peabody’s surface mines realized a 1.24 incidence rate, an improvement over the 2012 rate of 1.26. Three surface mines in the U.S. Midwest led with zero reportable incidents in 2013. Peabody’s underground mines achieved a 3.72 incidence rate in 2013, comparing unfavorably to 2012 results of 3.35.

Peabody is focused on reversing this trend by standardizing reporting, communicating best prevention practices and intensifying the company’s focus on safety and risk management.

Global Safety Approach

All employees must be empowered with the resources, skills and authority to perform their jobs safely. At Peabody, every meeting begins with a “safety contact” or lesson learned about safe behavior. Safety audits and observations are a standard best practice at all operations, and evaluations of employee performance and compensation are aligned with safety.

Each operation in the Americas has a safety and health team that routinely assesses mine incidents and reportable injuries. These seasoned safety personnel and experienced miners evaluate near misses, develop preventive measures, share findings with the workforce and work to ensure best practices are in use. Members represent the management and hourly workforce and come from multiple shifts and crews. Supporting these efforts is a centralized, cross-functional Central Safety and Health Team, which sets benchmarks and implements and evaluates initiatives, processes and programs. In Australia, similar safety leadership teams are in place to identify, share and enforce best practices.

Peabody also helped create the National Mining Association (NMA)’s CORESafety® initiative. Devised by a CEO Safety Task Force under the leadership of then NMA Chairman and current Peabody Chairman and Chief Executive Officer Greg Boyce, CORESafety is an approach to mining safety and health that is designed to prevent accidents before they occur. The task force set an aggressive industry-wide objective



Employees at the North Antelope Rochelle Mine in Wyoming participate in Safety A Way of Life day, part of a companywide effort to heighten awareness of safety by suspending operations to focus on safety training, best practices and risk management.

of 0:50:5 – zero fatalities and a 50 percent reduction in the reportable injury rate within five years.

To accomplish this, the NMA convened a working group of experts from member companies and arrived at the first-ever mining-specific safety management system. CORESafety rests on three principles: leadership through accountability; management through world-class risk identification, reporting, training and emergency management practices; and assurance through internal and external assessments. The system incorporates 20 performance modules and a set of four guiding principles – “Plan, Do, Check, Act” – to drive sustained improvements. Expectations are performance-based, adaptable and complement existing initiatives at participating companies, with full management systems expected to be in place by the end of 2015 and verified by a third-party auditor by 2016. To date, the chief executive officers of 33 participating companies have pledged commitment to the system implementation.

Peabody’s implementation has been under way since 2012 as the “Safety, A Way of Life Management System.” The program builds on strong, company-wide identification with an existing “Safety, A Way of Life” initiative, which helped drive significant improvements since its 2004 launch. Peabody is in the process of assessing gaps between CORESafety standards and current practices, targeting full system integration by end of 2015.



Employees from the Viking, Cottage Grove and Somerville Central mines gather with Peabody Energy Chairman and Chief Executive Officer Greg Boyce for presentation of the Chairman's Award for Safety Excellence, given to each mine for operating in 2013 free of a reportable incident.

As part of CORESafety, Peabody is developing, implementing and refining safety “risk registers” for all Peabody mining operations. To develop these registers, employees participate in workshops to identify low-likelihood events which could result in a high consequence incident. Employees list and evaluate existing safety controls for potential events, which are ranked by probability and outcome. Actions are developed to address the highest-ranking events.

Peabody collaborates with the U.S. Mine Safety and Health Administration (MSHA), certain other government agencies and companies to pursue advanced technologies that make the workplace safer. Peabody is currently partnering with three mining equipment vendors to incorporate proximity-detection systems on continuous miners and proximity-detection and video surveillance systems on battery-powered coal haulage equipment, shuttle cars and section scoops at U.S. underground mines. The company also has installed and is testing a proximity detection system for large mining equipment and light vehicles at operations in Australia. A collaborative

effort has been initiated with select vendors to identify and evaluate potential fatigue monitoring programs and technologies.

Peabody provides focused safety training to its office-based workforce, as well. At the company's global headquarters in St. Louis, more than 150 employees reviewed floor-by-floor safety conditions and recommended improvements during a day-long workshop. In Australia, a similar program coincided with National Safe Work Week.

Ventilation is another emphasis. Ensuring an unobstructed and continuous flow of fresh air is essential in underground mining, both in providing oxygen to miners and in diluting and removing gases and dust. Peabody's Technical Services Group completed ventilation reviews at all global underground operations in 2013. Each review included an audit of ventilation-related management plans, air quality and quantity measurements and inspection results for airways, fans, seals, ventilation-control devices and air-monitoring installations. Best practices were recognized, and improvement opportunities were reviewed.

Peabody views safety as a journey. The company continues on its path of continuous and sustained improvements toward our vision of zero incidents of any kind, everywhere we operate.

Emergency Preparedness

Since 1898, Peabody employees have volunteered countless hours practicing for an emergency we hope will never occur. The company's Crisis Management Plans are regularly reviewed, updated and aligned across the global organization, and Peabody's volunteer mine rescue and first aid teams rank among the world's best. These men and women use their highly specialized training to assist in emergencies at operations and far beyond mine boundaries. The employees regularly drill and compete in regional, national and international events designed to test first aid, search and recovery, fire fighting, roof support and ventilation skills, earning top honors.

In Australia, members of the Wambo Underground Mine rescue team achieved their seventh consecutive win at the Hunter Valley Underground Mines Rescue Competition. The team has a combined mines rescue experience of more than 50 years, and team captain Matt Bailey received the Captain Award for the seventh year running. The newly-formed North Goonyella Mine rescue team placed second in the E.K. Healy Cup rescue service competition, with employee Dallas Dorney earning the “Chief Inspectors Trophy” for excellence in first aid for the fourth successive year.

U.S. mine rescue teams and individual employees also took home awards. The Francisco Mine rescue team won first place at the Kentucky Coal Academy Regional

Skills Competition. Craig Hawkins from the Gateway Mine earned first place in the bench contest and first place overall at the National Mine Rescue Association Kentucky Post #2 Benchman Contest. At the Four Corners Mine Rescue Competition, Peabody's Twentymile Mine rescue team earned two first place honors in the combination event and bench contest and two second places in the first aid and field portions. And North Antelope Rochelle Mine employees won first place overall at the 16th Annual Red Desert Trauma Conference and Competition.

Technology further strengthens Peabody's emergency preparedness. The company completed a U.S. implementation of the Everbridge Emergency Notification System in 2013. This system enables Peabody to instantly dispatch text messaging, emails and voicemail communications via work and personal contacts to employees, should an emergency or significant event require critical and timely communications.

Safety Achievements and Business Unit Initiatives

Recognition supports robust safety initiatives. In 2013, the company introduced the Chairman's Award for Safety Excellence, a new honor reserved for those operations that end a full year with zero safety incidents around the world. In 2013, three U.S. Illinois Basin mines achieved this extraordinary accomplishment, operating a combined 1 million employee hours with zero reportable incidents. The Cottage Grove, Somerville Central and Viking mines each earned Peabody's Chairman's Award for Safety Excellence.

Employees at the Twentymile Mine in Colorado achieved the President's Award for the safest underground mine performance for 2013 in the Americas Business Unit. The mine also earned this top honor in 2012, 2010 and 2005.

The company's fourth annual Safety Innovation Awards program also honors the company's best safety methods and inventions. In 2013, operations presented an array of solutions, with six earning awards:

- **First Place, Best Overall: "No Hassall" Magnetic Drill Steel Holder.** Employees at the North Goonyella Mine in Queensland, devised a versatile, magnetic drill steel holder that can be used in roof bolting and other operations activities. The holder provides a safer place to rest drill steels and steel materials. The same magnets and principles also have been used to create holders for dollies and additional water sprays for dust suppression on continuous mining machines.
- **Second Place, Best Overall and Most Original: Dry Drilling Dust Capture System.** Employees at the Twentymile Mine in Colorado used shop vacuum, hoses and a five-gallon bucket to capture heavy particles and dust during the dry drilling process in the mine floor. The system also reduces risk of strains, eliminating the need to manually remove stuck drill seals.
- **Third Place, Best Overall: Installation of Sight Glass on Service Truck.** Technicians at the Wilkie Creek Mine in Queensland use a sight glass on service trucks to more safely and easily view transmission fluid levels. Prior to this, a worker had to tilt the machine cabin and lean over the transmission and rotating pump drive shaft to access the dipstick. The sight glass minimizes the risk for a slip or fall in this process. In addition, fluid checks now occur more frequently and only require one person instead of two.



- **Best Bang for the Buck: “D-Fender” Fire Extinguisher Protection Mounting System.** A mount was created to house a fire extinguisher on the left side of a uni-loader at the Twentymile Mine. Positioned at 45 degrees, the mount protects extinguishers and brackets from damage.
- **Most Transferable: Making Safety Personal.** At the entrance to the Cottage Grove Mine, employees face the personal images of colleagues and their families, along with a daily safety contact or reminder on a digital display screen. Cottage Grove uses this human connection and employee stories to make safety even more meaningful.

Safety in the Americas

Peabody’s 2013 Americas incidence rate of 1.00 reflected a 16 percent improvement from 2012 and a new record for Peabody. This rate represents a greater than 70 percent improvement over the industry average based on U.S. MSHA statistics. However, this achievement falls short in light of a fatality in early July 2013 at the Wildcat Hills Mine in Southern Illinois. Following this loss of life in a tramming incident, the company reemphasized a focus on safety best practices.

Several operations in Peabody’s U.S. portfolio achieved especially distinguished safety performance, earning the company’s President’s Award. In Illinois, the Cottage Grove Mine received the honor for the safest performance among Peabody surface mines in the Americas, marking more than 29 months without a reportable incident. In Indiana, the Viking Mine delivered the most improved safety record even as the mine transitioned to closure during the period. The Twentymile Mine in Colorado also received the award for the safest underground Peabody mine; the workforce operated more than 1 million hours during the year with this safety record. The honor is Twentymile’s fourth since 2005.

Safety in Australia

After five consecutive years of improved performance, the Australian Business Unit reported a 2013 incidence rate of 2.79, up 10 percent from the prior year. Surface or open-cut mines achieved a slight improvement from 2012, but underground mines reported an increase in incidence rates.

The Cottage Grove Mine in the U.S. Midwest operated more than 29 months with zero reportable incidents, demonstrating that Peabody Energy’s ultimate goal of zero incidents of any kind is within reach. The mine earned the company’s President’s Award as the safest Peabody U.S. surface mine in 2013.



The Australian Safety Leadership Team and Corporate Safety Committee have acted aggressively to reverse this trend by standardizing, reporting and communicating best practices. The company launched the SafeStart® program to heighten awareness of safe behaviors and peer-to-peer observations and initiated a campaign to prevent hand injuries that halved their monthly incidence. A mobile equipment fire prevention standard targets this hazard on all diesel-powered machines, a new fatigue prevention standard was introduced, and the Coppabella Mine concluded a successful trial of Seeing Machines, a new technology that monitors operator fatigue in real time.

Perspective also is useful. The Australia Business Unit's safety performance in 2012 was the best to date. Compared to peers, the company's operations in Queensland outperformed the industry safety average by 40 percent in 2013. Similarly, Peabody in New South Wales delivered safety results that were 25 percent better than the state's typical mine during the year.

Several Australian operations delivered superior safety performance in 2013. The Coppabella, Wambo and Wilpinjong surface mines and the Metropolitan underground mine all improved dramatically over 2012 levels. Peabody's Wambo and Wilpinjong operations also achieved improvements during periods of significant change as the company converted each from contractor to owner-operator status in 2013.

Several Australian operations qualified for 2013 President's Safety Awards. The Metropolitan workforce achieved Peabody's safest underground results in the region. Employees at Wilpinjong delivered the company's most improved performance, reducing the mine's incidence rate 64 percent from the prior year. In addition, the Eaglefield Mine ended the year as Peabody's safest Australian surface mine with a 0.44 incidence rate. Four Australian sites went injury-free in December 2013: Eaglefield, Millennium, Wambo surface and Wilkie Creek. Each qualified for an A\$5,000 charitable donation to a charitable organization of the workforce's choice.

Compliance and Regulation

Peabody joins state and national regulators in Australia and the Americas in championing safe work environments and best-practice sharing. The company comprehensively manages safety compliance and addresses and resolves each U.S. Mine Safety and Health Administration (MSHA) citation. Peabody works to partner with MSHA to establish new processes to proactively identify and eliminate conditions that could lead to citations. 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) disclosure issues.



Developing Peabody's technically skilled talent is critical to Peabody's success. The company launched a Technical Talent Retention and Development Initiative and Technical Centers of Excellence to offer career advancement opportunities to these valuable employees.

In the United States in 2013, the company recorded 2,447 inspection days across multiple mines, preparation plants and former active mining sites, as tracked by MSHA. The violation rate per day of inspection was 0.57, down from 0.77 in the prior year. The significant and substantial violation rate per 100 inspector hours improved 19 percent compared to 2012 results; this represents a 25 percent improvement over 2011 statistics.

In Australia, the Queensland and New South Wales governments maintain regulatory oversight over operations in these respective states. The Queensland Department of Natural Resources and Mines, Mine Safety and Health Group is focused on a goal of zero harm and has increased vigilance in light of an industrywide increase in injury rates. Within the state, additional reporting of high-potential incidents is helping producers learn from near-misses. In New South Wales, Peabody works with industry peers, unions and government regulators through the Mine Safety Advisory Council.

A National Mine Safety Framework Project has also been introduced to harmonize legislation enacted by three of Australia's largest mining states: Queensland, New South Wales and Western Australia. However, the Queensland government has retained some distinct regulations. In a 2012 - 2013 annual report, the Queensland Commissioner of Safety noted that the surface or open-cut coal mining industry had been fatality-free for 2 years and fatality-free 6 years at underground operations. Peabody's Total Reportable Injury (TRI) rate for 2013 was just over half the Queensland coal industry average within the 2012 - 2013 fiscal year.

In a similar annual report, New South Wales authorities noted that the coal industry within that state had no fatalities. The report also discloses that the majority of "notifiable" serious injuries came from underground operations. Peabody's underground mine TRI rate for 2013 was superior to the state coal industry average achieved within the 2012 - 2013 fiscal year.

Employee Relations

Peabody fosters a culture of collaboration and innovation that provides employees career growth opportunities and links rewards to the company's safety, operational and financial performance.

Peabody offers some of the highest-paid and highest-skilled positions available where the company operates. An average U.S. coal miner earns about \$81,462 a year, compared to the average U.S. worker, who earns \$49,200.² In Australia, the average mining industry weekly earnings – the highest among all industries – is more than

\$738.90 greater than the next highest sector, which is science and technical services, according to the Australian government's Bureau of Statistics.³

Employee Demographics and Organizational Changes

Peabody employed nearly 8,300 people in the United States, Australia, China, India, Mongolia, Singapore, Indonesia, Germany and the United Kingdom on Dec. 31, 2013. The conversion of multiple Australian operations from contractor to company control – including the Millennium, Wilpinjong and Wambo surface mines – added to the workforce size.

In 2013, the organization saw the closure of the Willow Lake Mine in the U.S. Midwest due to an ongoing failure to meet Peabody's high standards for safety and operating performance. In general, Peabody's goal is to retain a skilled, high-performing workforce. The company seeks to provide great careers – not simply great jobs – which may be why the typical Peabody employee has 9 years of tenure. The average tenure among Fortune 500 companies is 3 to 5 years.⁴

The company maintains a 91.8 percent voluntary retention rate through excellence in safety, strong leadership development initiatives and competitive compensation. Approximately 95 percent of Peabody's global employees worked at mine operations or at regional offices, while the remaining workforce is based at the company's global headquarters in St. Louis, Mo.

² Annual Coal Mining Wages vs. All Industries, 2012, National Mining Association.

³ Average Weekly Earnings, by Industry, November 2013, Australian Bureau of Statistics.

Peabody Energy's Annual Employee Demographic Trends Over Five Years

Employee Distributions As Of Dec. 31 Of Each Respective Year

	2013	2012	2011	2010	2009
Total	8,285	8,237	8,341	7,519	7,283
Non-Union Employees	75%	80%	88%	90%	88%
Union-Represented Employees	25%	20%	12%	10%	12%
Surface Headcount	72%	66%	70%	68%	70%
Underground Headcount	28%	34%	30%	32%	30%
Salaried	29%	31%	30%	28%	25%
Hourly	71%	69%	70%	72%	75%

An estimated 75 percent of Peabody Energy's global workforce is union-free. Among hourly employees, approximately 25 percent were represented by organized labor unions; Peabody believes all employees have the right to choose for themselves and to speak for themselves about working conditions and compensation issues.

Global Cost Containment Initiatives

Maintaining financial discipline is always essential and especially critical in challenging markets. Amid macroeconomic headwinds in 2013, the company achieved \$340 million in savings from cost-containment initiatives. Employees were essential to this effort.

In Australia, a “repositioning” program delivered \$128 million in cost savings through comprehensive reductions at every level. Peabody also converted multiple operations from contractor to company control, improving safety, driving productivity up and costs down.

In the United States, Peabody’s operations reduced costs per ton by 3 percent while increasing productivity by 9 percent in 2013. In addition, a Cost Containment Task Force collected nearly 300 suggestions with potential savings of \$6.6 million over time. Ideas ranged from streamlining the amount of wire rope in mine inventory – saving \$1 million – to identifying \$60,000 in savings by modifying a rental car travel policy.

Some ideas had greater potential. The “kitting” process at the Twentymile Mine in Colorado is a case in point. Underground “longwall” mines must move this massive machine throughout a year. Complex longwall systems consist of multiple coal shearers mounted on a series of self-advancing hydraulic ceiling supports, and each move can require the relocation of 2,100 components at a total weight of 7,500-plus tons. The mine devised a kitting system to streamline the process. Before every move, the mine prepares more than 22 kits to house every part, supply and documentation needed for a particular job. This organizational method improves safety and efficiency, saving hundreds of thousands of dollars in downtime.

Global Inclusion and Diversity

Peabody’s vision is to maintain a global workforce that represents the multicultural and multigenerational communities we serve and leverage inclusion and diversity as a competitive advantage. Diverse experiences and ideas enhance our work environment, encourage greater creativity, improve employee commitment and contributions, and anchor the company within its communities.

Company inclusion programs are formalized in policy and practice. They are embedded in Peabody’s Equal Employment Opportunity policy and Code of Business Conduct and Ethics. Executive Vice President and Chief Technical Officer Jeane Hull leads a cross-functional Global Inclusion and Diversity Advisory Board that guides,



Peabody seeks to increase the representation of women and minorities in the workplace. Minorities comprised about 16 percent of Peabody’s U.S. workforce in 2013. The numbers of women as a percentage of the Peabody workforce nearly doubled from 2005 to 2013.

communicates and implements the company’s diversity and inclusion strategies. The board is focused on developing goals specific to regions alongside the following four key areas:

- **Employees:** Recruiting and retaining employees and promoting an environment that capitalizes on differences.
- **Communities:** Providing financial support and means for employee participation in organizations that advance diversity and inclusion.
- **Customers:** Increasing Peabody’s market penetration by advancing Peabody’s position as the partner and supplier of choice.
- **Suppliers:** Enhancing partnerships and increasing spend with qualified diverse suppliers.

⁴ U.S. Department of Labor, Bureau of Labor Statistics, “Employee Tenure,” 2012; Payscale, “Employee Loyalty,” 2013.

While outcomes were mixed in 2013, the company is proud of advances in female representation, including the addition of a second female board member, Dr. Heather Wilson, President of the South Dakota School of Mines and Technology and a former member of the U.S. House of Representatives.

During the year, women represented approximately 10.8 percent of Peabody's global workforce and 17.4 percent of director and above roles at its global headquarters. Notably, in Australia, these numbers are increasing, with the business unit marking a 20 percent increase in the number of female members of the workforce in a single year.

The company's U.S. operations also marked improvement. Minorities represented about 15.7 percent of Peabody's U.S. workforce in 2013, up from 12 percent from 2012.

Peabody continues to investigate innovative ways to recruit candidates from diverse backgrounds. The company actively participates in a number of programs and partnerships to cultivate a diverse employee population.

Peabody commits resources to expanding community outreach and recruitment activities to improve our access to qualified, diverse candidates. For example, the company is represented on the Minerals Council of Australia Workforce Gender Diversity Reference Group and has participated in the Coro Women in Leadership, Coro Diversity Initiative Fellows and Women in Mining organizations. In 2013, approximately 11.6 percent of global new hires were women and 22.8 percent of new hires in the United States were minorities.

Tribal and Indigenous Employment and Engagement

Peabody emphasizes respect for cultural ways, hiring, training and advancement of local, tribal and indigenous residents and the sustainable use of land everywhere the company operates.

In the United States, Peabody is among the largest private employers of Native Americans on reservation lands in Arizona. The Kayenta Mine in that state creates nearly 450 skilled jobs, and Native Americans comprise 91.4 percent of the workforce and hold more than 70 percent of the mine management, administration and supervisory positions.

Peabody adheres to good neighbor practices on tribal lands, offering area residents free potable water and coal to heat their homes and grading and building gravel roads at the request of the local "chapters" representing the governmental structure. In 2013, the company contributed more than \$125,000 in philanthropic donations to local community organizations surrounding the Kayenta Mine. Peabody also assists with larger area infrastructure needs. During the year, the company provided backfill material for two Arizona state highway projects; made water accessible for dust control; and supplied rock to pave a 12-mile stretch of community road.

In Australia, the company's Indigenous Employment and Engagement Strategy drives initiatives to attract, develop and retain skilled, flexible and motivated indigenous employees. This approach provides specific employment targets and site- and corporate-level activities – all aimed at preserving the economic, social and cultural rights of indigenous peoples. Peabody works to create a sustainable employment model and working partnerships with Aboriginal and Torres Strait Islanders associated with the company's mining operations through Cultural Heritage and Native Title Agreements; however during 2013, due to market conditions and redundancies at sites, no trainees were placed.

Peabody Australia continues to develop an indigenous cadetship, an Australian governmental initiative that seeks to improve the professional employment prospects of indigenous Australians. Peabody Australia's Indigenous Cadet has participated in work placements on mining sites in both New South Wales and Queensland, gaining professional qualifications and on-the-job experience.

Supplier Diversity

Peabody recognizes the competitive value of a diverse supplier base and seeks to develop the strongest network in the industry. The company aggressively pursues contracts with qualified minority- and women-owned enterprises, especially in areas such as staffing, tools, mine services, welding, security, electrical services, information technology and radio communications. From 2007 to 2012, the company increased spending with minority businesses, achieving an annual growth rate near 20 percent.

In 2013, Peabody reduced spending across its platform as part of a broader cost containment initiative. Still, on a compounded basis, Peabody's spending with diverse businesses has increased 15 percent each year since the inception of a formal supplier diversity program in 2007.

Indeed, women- and minority-owned suppliers were integral to Peabody's success in achieving significant cost savings, helping the company drive down costs on office supplies and other products across operations in the U.S. Midwest and reducing supply costs for certain products at the company's Twentymile Mine in Colorado by 10 to 12 percent in 2013.

In the United States, Peabody is an active partner to the Rocky Mountain States Supplier Diversity Council – now part of the Northwest Mountain Supplier Development Council – and the St. Louis Minority Supplier Development Council and Indiana Minority Supplier Development Council, which in 2013 merged to become the Mid-States Minority Supplier Development Council. Peabody's supplier diversity efforts were recognized for the second consecutive year when the company was named Corporation of the Year by the Mid-States Minority Supplier Development Council, recognizing Peabody for its minority business enterprise spending.

In Australia, Peabody has been working with indigenous start-up businesses to prepare them for specific activities within the mining industry. Future indigenous business opportunities range from small-scale drill-site clearing and rehabilitation to project contracting.

Workforce Planning

Planning for the future workforce is a business imperative in all industries and especially urgent in the energy and mining sector. A significant proportion of the skilled working population is nearing retirement. The loss of these seasoned workers poses an operational challenge in a sector that is essential to the global economy.

Peabody recognizes that we operate in a highly competitive market for key mining positions. We continue to pursue a demographically diverse talent base through robust succession planning and initiatives to identify, recruit, retain and develop the next generation of talent. As of Dec. 31, 2013, approximately 34 percent of the global workforce was age 50 or older, a slight decline from 2012. The 50-and-older bracket accounts for 41 percent of all U.S. employees and 21 percent of employees in Australia.

Planning in the Americas

Peabody continued Operations Associate, Management Associate and internship programs in 2013. Targeted at new graduates and promising students, these initiatives offer a structured introduction to many disciplines within Peabody and annually bring an influx of energetic new talent to the company.

- In three rotations of six to eight months, Operations Associates work directly with a range of staff members and benefit from experience at Peabody's mining operations. Candidates are students and recent graduates across mining, engineering, environmental, mechanical, electrical and related fields.
- Management Associates, often recent Master of Business Administration graduates, rotate through key departments in three year-long periods. The program strengthens associates' business acumen, analytical abilities and leadership skills.

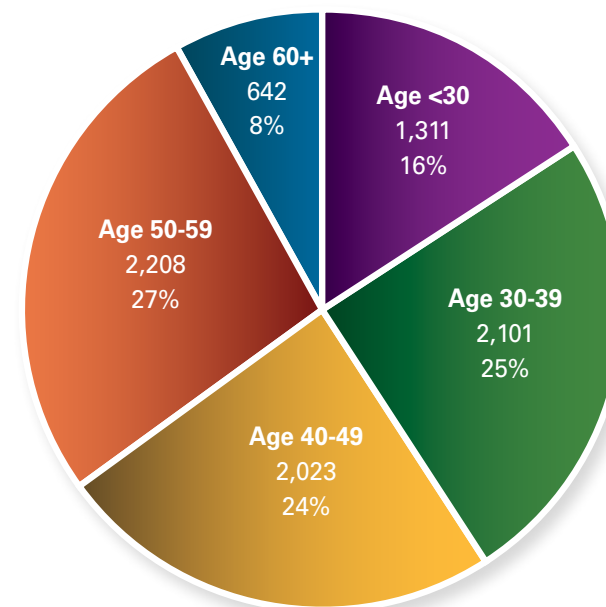
In addition, the company has embarked on innovative partnerships with regional vocational schools to develop the maintenance and electrical skills of its existing workforce and provide new pathways to career development.

Planning in Australia

In Australia, Peabody offers graduate and vacation student and apprenticeship programs that enable new employees to develop skills within their disciplines and provide a foundation for future technical specialist and leadership roles. In 2013,

Peabody Energy's Employee Age Distribution

Employee Distribution As Of Dec. 31, 2013



The company's recruitment and retention programs support a world-class workforce that broadly reflects all demographic groups. Just over 34 percent of the company's employee base is age 50 or older, a slight decline from 2012. In 2013, 16 percent of the company's workforce was under the age of 30.

Peabody recruited multiple recent college graduates in relevant disciplines to its fully structured, two-year Graduate Development Program. Participants worked at each Australian mine and, upon completion, all gained permanent roles. To ensure individuals are job-ready, Peabody also invests in a four-year apprenticeship program with an external learning partner.

Peabody introduces students to the industry early through its vacation program. During scheduled seasonal breaks, students studying mining, process and mechanical engineering, environmental, human resources, geology and accounting can participate in a 12-week vocational program at Peabody sites. The initiative also helps Peabody identify promising graduate candidates.

Australia represents a major cornerstone of Peabody's strategy given the nation's close proximity to China, India and other high-growth Asia-Pacific demand centers. The company recognized early that these Asian markets would drive significant long-term metallurgical and thermal coal demand growth amid a major build-out of new coal-fueled generation, population growth and sustained urbanization and industrialization. Historically, Australian coal mines occupied a place near the lower end of the cost curve, yet a recent resources boom has profoundly altered the industry's economics. Acute and chronic skills shortages have emerged, inflating labor expenses and eroding productivity. By 2012, labor represented up to 50 percent of all new project costs, and skills shortages were reported in critical categories such as electro technical trades, geosciences, engineers, supervisors, mechanics, maintenance operations and statutory roles, according to the Kinetic Group's "Annual Workforce Report of the Resources Industry." The Australian Workforce and Productivity Agency (AWPA) has predicted that employment in mining operations will grow from 236,690 workers in 2013 to 254,260 in 2018 – a 7.4 percent increase. As a consequence, talent shortages are expected to become more pronounced.

To prepare, Peabody has strategically adjusted its recruitment efforts to tap into overseas markets where workers are highly motivated to relocate, such as South Africa. This form of recruitment also supports inclusion and diversity.

Employee Development

Peabody works to create an empowered and collaborative workplace that supports professional and personal growth.

The company's approach to talent management begins with effective goal-setting, introduces and guides improved collaboration techniques, and provides resources to manage employee performance. Peabody's efforts are focused on empowering

managers across the platform with skills to manage and develop employees and support business objectives.

Learning and Development

The company's U.S. training centers and corporate and global training programs identify, build and deliver effective learning systems that increase workforce knowledge and capability. The company customizes training by role and offers skills and safety instruction for a variety of mining positions. All new hires participate in an orientation session, all regional employees benefit from extensive safety training, and new miners and technicians receive operations instruction.

In the Americas, the Western Training Center serves employees in Wyoming, Colorado, Arizona, New Mexico, Indiana and Illinois. At the St. Louis headquarters office, more than 150 training classes were offered with 1,700-plus participants.

In Australia, training takes place at both the mine site and in corporate offices. In 2013, approximately 8,000 employee training hours were achieved, including internal instruction on organizational development and external training related to



Peabody's success is ultimately shaped by our workforce's skills, and the company offers robust learning and career development opportunities. In 2013, the workforce accumulated more than 8,000 employee training hours.

role-specific technical development. More than \$4 million was invested in Australia's Apprenticeship program, and the region's Graduate of the Year program sent two graduates to the United States for professional development. 2013 also saw the inception of a mentoring program for graduates.

Health and Wellness

Peabody provides employees and retirees with comprehensive and competitive health care benefits.

The primary objectives of Peabody's health care strategy are to improve the health and wellness of employees and manage medical plan costs to ensure the company can sustain future programs.

Wellness Programs

Peabody's employee wellness programs emphasize prevention and physical fitness, and encourage employees to invest in their health.

Employees receive incentives for regular preventive care through primary care physicians. In the United States, the company provides employees and covered spouses \$150 each following a physical examination. Peabody provides a U.S. tobacco cessation program with phone- and web-based counseling and over-the-counter nicotine replacement therapy. Since the program's 2010 launch, more than 270 employees and spouses have participated, achieving a 44 percent quitting rate. In addition, the company's dental benefits provider offers extra annual preventive dental exams and cleanings to supplement routine coverage.

Other U.S. wellness offerings include:

- Annual worksite flu shots.
- Reimbursement for health club and Weight Watchers memberships in the United States, as well as memberships at the company's fitness center, located at Peabody's St. Louis global headquarters.
- Birthday reminders of preventive services and additional educational materials.

In Australia, employees' universal health care coverage is supplemented with Peabody's "whole approach" remuneration package to encourage wellness. This includes an annual structured health awareness program, discounted health club memberships, workshops, and subsidized or organized fitness programs.



From May to June, Peabody's St. Louis employees could take part in a team fitness program designed to increase physical activity through friendly competition. Nearly one fourth of eligible employees participated. For 2013, the company's St. Louis employee fitness center saw almost 17,000 visits.

Non-Health Care Benefits

Employees also benefit from:

- An Employee Assistance Program that provides counseling and comprehensive life management services
- Adoption Assistance to help offset expenses
- Short- and long-term disability coverage
- Life insurance
- Accidental death and dismemberment coverage
- Business travel accident coverage
- Tax-free health care and dependent care reimbursement accounts
- Tuition assistance
- Employee stock purchase plans

- Global Matching Gifts and Dollars for Doers programs
- Scholarships

Professional Compensation

Peabody's total rewards philosophy includes a competitive compensation package to recruit and retain talented employees. This package includes base salary, and annual incentive and long-term incentive programs. Pay levels are determined by job responsibilities benchmarked against market data, and opportunities for pay growth are based on measured performance against objectives.

Peabody links compensation levels closely to performance levels and observed potential, allowing for differentiation where appropriate. Accountability is emphasized with employees and managers in establishing expectations, monitoring outcomes and providing ongoing feedback.

Retirement Savings

Peabody provides the workforce with opportunities to save and invest in the future, aligning employee and shareholder interests to enhance performance. The company's 401(k), Superannuation and Employee Stock Purchase Plans encourage employees to take ownership in the company.

The 401(k) plan allows U.S.-based employees to contribute 1 percent to 60 percent of regular pay based on U.S. Internal Revenue Service guidelines. For non-represented employees, the company match varies by region. On average, employees receive a 100 percent match on up to 6 percent of salary.

Five-Year Employer Contribution To 401(k) Program			
Year	Performance	Base	Annual Total
2013	5.1%	6%	11.1%
2012	4.2%	6%	10.2%
2011	6%	6%	12%
2010	6%	6%	12%
2009	6%	6%	12%

Employees also may be eligible for an additional performance-based annual contribution that is equal to as much as 6 percent of salary.

Peabody's 401(k) plan has more than 6,000 participants, of which an average individual balance of about \$142,000 is maintained. The company's 401(k) participation levels exceed those of many peers.

Pension Plan

Certain employees are eligible for a defined-benefit pension plan. The company meets its obligations for funding the plan. As of December 2013, the funded status approximates 92 percent of total obligations, which is consistent with peer performance. The plan is not available to new, non-represented employees.

401(k) Plan Highlights⁵

	2013	2012	2011	2010	2009
Plan Assets	\$863,915,675	\$801,941,792	\$696,358,224	\$707,772,420	\$589,047,323
Participants	6,077	6,508	6,667	6,247	6,148
Average Balance	\$142,161	\$123,224	\$104,448	\$113,297	\$95,811

⁵ Participation in the 401(k) program fluctuates annually depending on employment levels and fell in 2013 primarily due to operational closures and a voluntary retirement program.

2014 Employee Responsibility Objectives

Peabody targets the following employee responsibility priorities for 2014:

- Peabody continues to pursue a goal of operating safe workplaces that are incident free.
 - The company will continue to develop and implement its Safety, A Way of Life Management System to consistently and effectively manage safety and health risks.
 - The company will continue advancing best practices to address increased regulatory scrutiny.
 - The company will continue to identify and develop a high-caliber management team to lead our employees, as well as engage in enterprise-wide succession planning.
 - Peabody will cascade targeted leadership development programming, enhancing online learning, completing high-level assessments and continuing signature manager- and front-line supervisor programs.
- Peabody will continue to develop cross-cultural awareness and programs supporting growth in the world's fastest-growing coal markets.
 - Peabody will enhance the technical and overall talent base across the platform through structured development planning, career paths, engagement with key universities and technical centers, local hiring and rotational assignments.
 - Peabody will leverage technology to enhance employee communications and engagement.
 - Peabody will implement a global online goal-setting and performance management system to align individual actions with strategic business objectives and enhance accountability related to performance expectations.



ENVIRONMENTAL

RESPONSIBILITY



Peabody Energy views environmental responsibility as social good and a business imperative, establishing thousands of acres of forests, lakes and cropping lands, minimizing water and energy use and restoring wildlife habitat around the world.

This Environmental Responsibility section provides the details on another year of environmental excellence for Peabody. It offers information on the following areas:

- Environmental Compliance and Oversight
- 2013 Environmental Achievements
- Restoring Lands
- Land Restoration and Bond Release
- Recycling and Waste Management
- Greenhouse Gas Intensity and Energy Efficiency
- Water Reuse and Conservation
- 2014 Objectives

Environmental stewardship is a core value at Peabody. The company commits to “leave the land in a condition equal to or better than we found it” and advances sustainable practices in land restoration, energy efficiency and waste reduction.

Successful land stewardship is a critical component of Peabody Energy’s social license to operate, and 2013 marked another year of achievement as the company restored more than 2,680 acres of mined lands, including rangeland, wildlife habitat, hardwood forests, prime farmland and wetlands. Successful reclamation activities contributed to the release of nearly 330 percent more lands from performance bond than in 2012. These lands are often more productive than before mining occurred.

During the year, Peabody planted, on average, the equivalent of 1,490 trees a day, increasing forested land nine fold over the previous year, and the company restored over 900 acres of farmland – double the level of the prior year. Peabody also restored more than 1,300 acres of wildlife habitat, created 300 acres of ponds and lakes, established 66 acres of marshes and wetlands and established more than 23 miles of high-quality streams.

Robust energy efficiency and waste reduction initiatives also characterize Peabody's approach to environmental responsibility. The company successfully reduced greenhouse gas emissions rates while conserving fuel. Total greenhouse gas emissions and emissions intensity in 2013 each dropped about 10 percent from the prior year, as measured in pounds of carbon dioxide equivalent (CO₂e). Peabody recycled more than 13,200 tons of various materials while reducing fuel-use-based emissions rates slightly in 2013, compared to 2012 levels.

Respect for the natural world is deeply embedded in our every action, from mine and land restoration planning to the way we operate our mines and engage with local communities. Peabody launched its first land reclamation program – "Operation Green Earth" – in 1954, a full 23 years before the U.S. Office of Surface Mining, Reclamation and Enforcement was formed, and we have never ceased working to deliver on our environmental commitments through new levels of innovation, efficiency and care. Our commitment has earned international recognition for environmental leadership and nearly half a dozen honors for excellence in 2013.

Environmental Compliance and Oversight

Peabody's environmental policies and programs are designed to ensure that coal mining and coal use benefit society, enhance the company's environmental leadership and assure compliance with regulatory requirements.

Environmental initiatives begin with environmental impact assessments; these 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 allows the company to measure results and adjust to changing conditions.

Building lasting alliances in communities where the company operates also is essential. Before mining, the company meets 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 rapidly return mined lands to productive community use. A highly trained and experienced environmental team supports Peabody's global operations in the United States and Australia. All operations personnel also receive extensive environmental training, with 26 sessions held and more than 2,000 people instructed in 2013.

Our rigorous environmental management system involves regular internal environmental review of air, soil, water, wildlife, vegetation and other natural

resources at Peabody operations. Peabody submits the results of monitoring or inspections for review by regulatory agencies, and, in the United States, these findings are made available to the general public. Some of these outcomes also are publicly available in Australia. In addition, each active operation is inspected and audited by various federal, state and local government agencies at least once per month in the United States and regularly in Australia. Peabody's workforce is trained to adhere to required and appropriate procedures and updates to regulatory requirements and permit stipulations are communicated routinely and broadly.

A major measure of environmental compliance in the United States is the Notice of Violation (NOV). Regulators use the NOV to identify an issue and require corrective action within a defined time period.

Peabody completed 2013 with a moderate performance, following the equivalent of 1,140 days spent on inspections at company operations. While NOV's rose markedly from a record low in 2012, the increase was driven by an intensifying regulatory regime in Australia. The company's global performance was 14 percent better than the average over the past decade, and its U.S. performance was flat year-over-year.



The bronze plaque at the entry to the Friederich ranch stands as a monument to the original homesteaders amid the rugged mountains and deep canyons in Colorado. Peabody mined parts of this ranch and restored the natural beauty of the land. The ranch owner donated most of his income from the coal to a children's home in Denver.

All NOV's received are addressed in a timely manner, and three were administrative in nature, involving record keeping and timing. Others involved topsoil handling, dust and drainage control issues that were rapidly remedied.

2013 Environmental Achievements

The company was internationally recognized for environmental and community leadership and earned multiple honors in 2013.

Paul Griswold, a Senior Environmental Technician at Peabody's flagship North Antelope Rochelle Mine (NARM), was named "Reclamationist of the Year" by the American Society of Mining and Reclamation (ASMR) for his outstanding accomplishments in the evaluation and application of technology used in land restoration. Griswold pioneered successful protocols to establish sagebrush on

restored lands, creating critical habitat for sage grouse and other wildlife in the region. He also implemented a program to reduce erosion and improve air quality near active mining areas that was so effective, the procedure is now adopted as best practice by the Wyoming Department of Environmental Quality. Since joining Peabody in 2007, Griswold has helped direct high-quality restoration of more than 4,500 acres at North Antelope Rochelle, the world's largest and most productive mine, and these restored lands typically are more productive than native range.

Breeding pairs of raptors depend on places to perch, nest and roost, as well as a healthy food supply. Peabody's NARM Mine in Wyoming has earned national recognition for its success in sustaining populations of eagles, hawks and owls and other birds of prey. Over a period of three decades, the mine has created high-quality habitat and carefully tracked the birds' behavior patterns, adjusting road building, power-line construction and similar activities to protect nesting areas.



Peabody Energy Environmental Performance

Dollars in Millions Except Where Noted	2013	2012	2011	2010	2009	2008
Reclamation Performance Bonds Approved	\$1,933.5	\$1,840.5	\$1,721.3	\$1,624.4	\$1,594.2	\$1,514.0
Federal Coal Reclamation Fees	\$48.7	\$55.3	\$59.9	\$56.3	\$55.4	\$59.2
Number of Notices of Violations	18	11	25	15	31	33
NOVs per Inspection Day	0.04	0.01	0.02	0.01	0.02	0.02
Volume of Hazardous Waste Recycled (tons)	2,099	1,445	505	1,462	1,030	518
Total Volume Recycled Materials (tons)	13,262	18,021	16,596	21,256	16,298	14,856
Long Term Water Treatment Sites	0	0	0	0	0	0
Disturbed Land (acres)	6,817	10,980	6,618	8,114	6,550	6,183
Permanently Reclaimed Land (acres)	3,012	4,854	5,113	5,212	3,695	3,767
Cumulative Disturbed (acres)	170,335	163,518	152,658	144,485	134,931	136,646
Cumulative Permanently Reclaimed (acres)	100,341	97,329	92,616	86,047	80,742	83,194
Bond Release All Phases (\$ in millions)	\$31.3	\$16.6	\$41.9	\$54.6	\$29.5	\$26.1
Number of Trees Planted	536,980	470,331	364,360	489,516	243,381	251,411
Forest Land Established (acres)	909	104	148	308	136	310

The decrease in cumulative permanently reclaimed acres from 2008 to 2009 resulted from the sale of the Baralaba Mine and re-permitting some reclaimed areas at Wild Boar and Bear Run.

Volumes of disturbed land declined in 2013 as part of a natural variation in mining activity in a cyclical industry. The proportion of restored forest and farm or cropping land varies annually depending on previous use, environmental conditions and comprehensive long-term reclamation plans.

Other major environmental honors presented or earned in 2013 include:

- **The Coal Reclamation Award from the Colorado Division of Reclamation Mining and Safety and the Colorado Mining Association.** This honor recognizes record legacy bond releases at the company's Sage Creek reserve. Before any activity may occur on a mine site, a U.S.-based operator must post a bond that is held until lands are restored to a standard specified in a mining permit. The award recognizes the company's historic success in releasing thousands of high-quality acres through 2012.
- **The Indiana Excellence in Mining and Reclamation Award,** the highest award presented to an operator by the Indiana Division of Reclamation for outstanding achievement in the field of surface coal mining and reclamation.

Peabody has earned this honor for reclamation techniques and the reestablishment of wildlife and forest habitat at the Somerville East Mine reclamation area. These activities also earned the **Interstate Mining Compact Commission's National Reclamation Honorable Mention.**

- **The 26th Vance "Pat" Wiram Award from the Indiana Society of Mining and Reclamation.** This honor was presented to Peabody's Midwest Environmental Specialist Dan Williamson in recognition of his pioneering methods to increase hardwood tree survival on restored lands.

A flourishing soybean crop sprouts from fertile restored lands outside the former Somerville East mine in Indiana. Peabody earned the highest honor presented to a coal producer in the state for environmental excellence.



- **The Dr. James A. Pendleton Award for Reclamation.** Peabody's Colorado Operations Reclamation Manager Roy Karo earned this honor for lifetime achievements in land restoration in the state. The award from the Colorado Division of Reclamation Mining and Safety was presented in 2013.

Restoring Lands

With a half a century of experience, Peabody is highly regarded for land restoration, and in 2013, the company permanently reclaimed 2,680 acres and planted more than 536,980 trees. The company conducts extensive planning well in advance of mining, and lands are restored contemporaneously as mining proceeds. In any given year, land restoration strategies can vary due to market changes, production, weather conditions, and other unforeseen factors. As a result, Peabody restores varying quantities of farmland, pastureland, rangeland, forest, wetlands and wildlife habitat.

In 2013, the company continued to pursue the most significant and ambitious rehabilitation target ever established in Australian mining. Several years ago, Peabody announced a goal to rehabilitate 90 percent of available company-owned lands within the decade. An area is classified as 'rehabilitated' when grading, topsoiling and seeding have been completed. In 2013, Peabody continued to make progress toward this objective, restoring 325 hectares across the company's Queensland and New South Wales operations. Land restoration volumes were muted in the year as the company continued to manage through challenging market conditions. Still, multiple operations, including the Moorvale, Wambo, Wilkie Creek and Wilpinjong mines, met or surpassed tough land restoration goals. Over the past three years, 1,083 hectares have been rehabilitated across the Australian platform.

Peabody continues to standardize environmental management and reporting best practices. A SAP-based Environmental Compliance system is being implemented in Australia during the year, enhancing the collection, reporting and analysis of environmental data.

Environmental Best Practices in Land Restoration

Peabody is committed to implementing environmental best practices from across our global platform. The company's work in the Surat Basin of southeast Queensland offers a case in point. Traditionally an agricultural region, the basin has witnessed rapid resources-industry growth that has contributed to increasing conflict over land use. Peabody demonstrated that farming and mining can successfully coexist, transforming

parts of mined lands at its former Wilkie Creek Mine into productive sorghum fields. The site is both a showcase and laboratory for rehabilitation techniques that has been studied by groups as diverse as the Toowoomba Grammar School earth science class and graduate students from the Centre for Mined Land Rehabilitation at the University of Queensland.

Changing land uses in Australia's Hunter Valley introduced different challenges. As rehabilitation activity linked to coal production increased in this rural region, a critical shortage of native seeds emerged. Peabody responded by forging a seed collection partnership with the nonprofit conservation group Greening Australia. The objective is to re-establish sensitive native plant species that are vital to maintaining habitat for wildlife in Australia. Now in its second year, the partnership meets site-specific, in-situ needs for native grass and tree propagation and supplies a large proportion of the Wambo Mine's needs.



University of Kentucky Professor Chris Barton displays young saplings that are ready to be planted on rehabilitated land outside Peabody's Wambo Mine. Dr. Barton is bringing novel tree cultivation and soil handling techniques from Appalachia to Australia.

Similarly, the company is transferring tree cultivation techniques pioneered in the Appalachian forests of the Eastern United States to the Wambo Mine in Australia. University of Kentucky Professor of Forest Hydrology Dr. Chris Barton has achieved widely-documented success in reforesting mined lands in the unforgiving Appalachian mountain range by planting trees in uncompacted soil. The Wambo Mine invited Dr. Barton to test his methods there over the next two to three years. The arrangement illustrates the ways Peabody strives to share environmental best-practices across continents to advance the science of land restoration.

Reshaping mined land to its approximate original contour is a central principle of all land restoration efforts. In Australia, it is not uncommon to first burn vegetation before preparing the land for replacement topsoil as part of this practice. Environmental teams at the Wambo and Wilpinjong mines arrived at a better way, mulching this material to enrich topsoil and reduce erosion. This innovation has been so successful

that it is being investigated by other mining operations in the region. The Wilpinjong Mine also established a windbreak corridor – or band of trees – on reclaimed lands, that helps protect habitat for certain native animals, including the endangered Regent Honeyeater bird. This black and yellow species and other animals benefit from a year-round food supply and migratory passageway.

In the United States, the company partnered with the U.S. Fish and Wildlife Service, the Indiana Department of Natural Resources and a number of conservation groups to expand the Patoka River National Wildlife Refuge, a region that spans more than 8,000 acres of wetlands, flood plain forest and uplands along the Patoka River in Southwestern Indiana. The company granted more than 1,000 acres associated with its former Columbia Mine in 2012 to this vital conservation effort and sold its stake to the Sycamore Land Trust in 2013. The marsh and forested wetlands provide habitat for several sensitive species such as the bobcat, river otter, Indiana bat, copperbelly

Cameras strategically placed on “leks” throughout Wyoming’s rolling prairie capture this group of sage-grouse engaged in a courtship display. Peabody monitors the migration and breeding of these upland birds, which reside in the Powder River Basin and throughout the U.S. West. The company also maps reclaimed sagebrush habitat that is critical for the sage-grouse and other wildlife and incorporates these findings into annual reports to state agencies.



watersnake, and cerulean warbler. Similarly, Peabody is pursuing a partnership with the Navajo Nation to produce hay for newly planted reclamation seeding at the Kayenta Mine in Arizona, which is located on tribal lands. Native grasses would be grown locally, providing economic benefits to the Navajo.

Peabody follows the same, best-in-class environmental practices in emerging markets and highly regulated, advanced economies. In fact, the company is responsible for the first coal mine restoration project ever conducted in Mongolia. Through a joint venture, Peabody led a team of scientists, engineers and government specialists in transforming Ereen, a former mine site near the northern city of Bulgan, into 48 acres of hardy pastureland that is four times more productive than nearby fields. The lands have flourished amid Mongolia's harsh winters, and the project has become a global model of sustainable post-mine land use. Peabody continues to advance flora and fauna studies and a hay-cutting project for local herders and has established a well and a pond for the community's benefit.

Environmental Outreach in the Community

As operations expand, mining can enter areas of greater environmental or social sensitivity. Peabody actively engages with stakeholders to incorporate local needs into mine planning and ensure that we manage operations respectfully and sustainably. Peabody emphasizes strong communication and engagement with local landowners, business interests and civic groups to achieve shared environmental objectives.

In addition to delivering fertile soil and diverse plant species, the company also is building stronger community ties near its Wilpinjong Mine in New South Wales. For the past half century, lands surrounding Wilpinjong have been under stress due to drought, invasive species and a soft market for crops. After purchasing Wilpinjong in 2006, Peabody acquired lands for a noise buffer zone between private landowners and mining operations. The mine also leases lands to local farmers and consults with them regarding seasonal seed selection and crop rotations.

Peabody's embrace of coal veneering offers another powerful demonstration of the company's commitment to good neighbor practices. Coal is typically loaded into open train cars or wagons in a distinctive "bread loaf" shape, which has been demonstrated to be a safe, effective and benign transportation method for more than a century. The company continues to use best practices to load trains that include proper coal sizing and load profiling. When activists in the U.S. Pacific Northwest raised concerns about the potential for small amounts of coal dust to blow from these trains, Peabody worked with its railroads to arrive at a solution. The company treats all coal intended



Through a joint venture, Peabody accomplished the first complete coal mine reclamation project in Mongolia, returning lands that are at least four times more productive than before mining. Approximately 40 tons of hay harvested from the site were supplied to local herders to sustain flocks during the harsh winter.

for export in the region with a sealant, which creates a veneer or tacky crust that prevents coal dust from escaping. This process is intended to provide added comfort for communities with high levels of train traffic. In 2013, the Queensland government in Australia introduced a requirement that dust be significantly reduced, and the company installed a similar veneering system at the North Goonyella, Coppabella, Moorvale, Burton and Middelmount mines throughout the Bowen Basin.

Peabody partners with a range of academic organizations and federal and state agencies to educate about safe and sustainable coal mining practices. Employees regularly visit schools to present information about the importance of affordable and sustainable energy production. Still, the company's operations offer the best classrooms. The company in 2013 hosted scores of public tours and presentations involving groups as diverse as teachers, legislators, neighbors and national officials. For example, a ministerial delegation from Myanmar toured the Wambo Mine to learn more about environmentally and socially responsible modern mining practices as the Southeast Asian state seeks to develop its resource sector.

Peabody's activities extend to improving quality of life far beyond the mine property line. In 2013, the Coppabella Mine took on the challenge to help plant 600 trees to coincide with Planet Ark National Tree Day in Australia. With help from employees, the Coppabella community and students from Coppabella State School reached this target and protected parts of a local golf course from erosion.

A world away in Warrick County, Ind., Peabody provided and helped plant more than 200 trees to residents in celebration of Arbor Day, and in nearby Sullivan County, the company has partnered with the West Central Indiana Watershed Alliance and U.S. Fish and Wildlife Service to sponsor expanded outdoor education programs for dozens of students. In addition to participating in county fairs and hosting open houses, the company sponsors the Annual Coal Education Conference in Illinois, which gathers more than 100 educators to discuss how to incorporate information on coal, environmental and energy issues into lesson plans.

Respect for Cultural Heritage

Deep respect for local cultural heritage defines Peabody's approach to mine planning. From Australia to Arizona, employees closely consult with indigenous communities, surveying lands for areas and artifacts of significance and devising detailed plans to preserve these treasures and meet unique cultural needs.

For example, Peabody operates on a remote highland plateau in Arizona called the Black Mesa, home to both the Navajo and Hopi reservations. Mining activities



Peabody worked with indigenous or traditional landowners at the Wilkie Creek Mine in Australia to create a Cultural Heritage display from salvaged recycled materials and scar trees. The investment is one of many visible reminders of Peabody's respect for traditional ways.

continue under a lease agreement approved by the leadership of both sovereign nations and must comply with extensive federal and tribal regulations that include laws governing protection of archaeology, sacred sites and the environment. The operations are globally recognized for sustainable practices, with restored lands often becoming ten times as productive as native lands. The company conducts archaeological excavations and the salvage of culturally significant objects from stone artifacts to ancient hearths.

In Australia, Peabody has established respectful and strong working relationships with the Aboriginal traditional landowners where we operate. The company continues to develop these relationships by way of cultural heritage inspections, archaeological excavations, salvage and relocation of culturally significant objects, cultural heritage committee meetings, and the negotiation and execution of agreements. Peabody also is committed to identifying and improving employment and business opportunities for indigenous peoples, with a focus on traditional landowners within the company's operational areas.

Land Restoration and Bond Release

The company conducts extensive planning well in advance of any mining activity, and lands are restored contemporaneously as mining proceeds. This practice ensures the smallest active area for mining operations. In the United States, it also enables timely bond release, which is the confirmation from regulatory agencies that the required environmental standards have been met or exceeded on a given tract of land. When a final bond release is achieved the land is returned to its productive pre-mining use by nearby communities.

Nestled in some of the most productive farming country in America, the Cottage Grove Mine in Southern Illinois set out to restore acres of mined land into productive cropland. The operation devised soil-handling and crop-management systems that deliver higher yields than neighboring farms and earned the U.S. Department of the Interior's highest environmental honors.

In 2013, mining activities began on more than 6,800 acres with more than 3,012 acres restored and approximately 3,074 acres fully released from bond. These results compare with 2012 mining activities initiated on more than 10,980 acres; more than 4,854 acres were restored; and approximately 2,346 acres were released from bond in 2012.

Bonds were released on a broad array of properties, including 909 acres of forested land, 90 acres of lakes and 944 acres of farmlands. These releases fluctuate depending on mining and restoration requirements in a given period, but all restored lands must meet high standards for an extended period of time before bond release is granted. Government agencies granted a release of a total of \$31.3 million in Peabody's bond liability in 2013.



Recycling and Waste Management

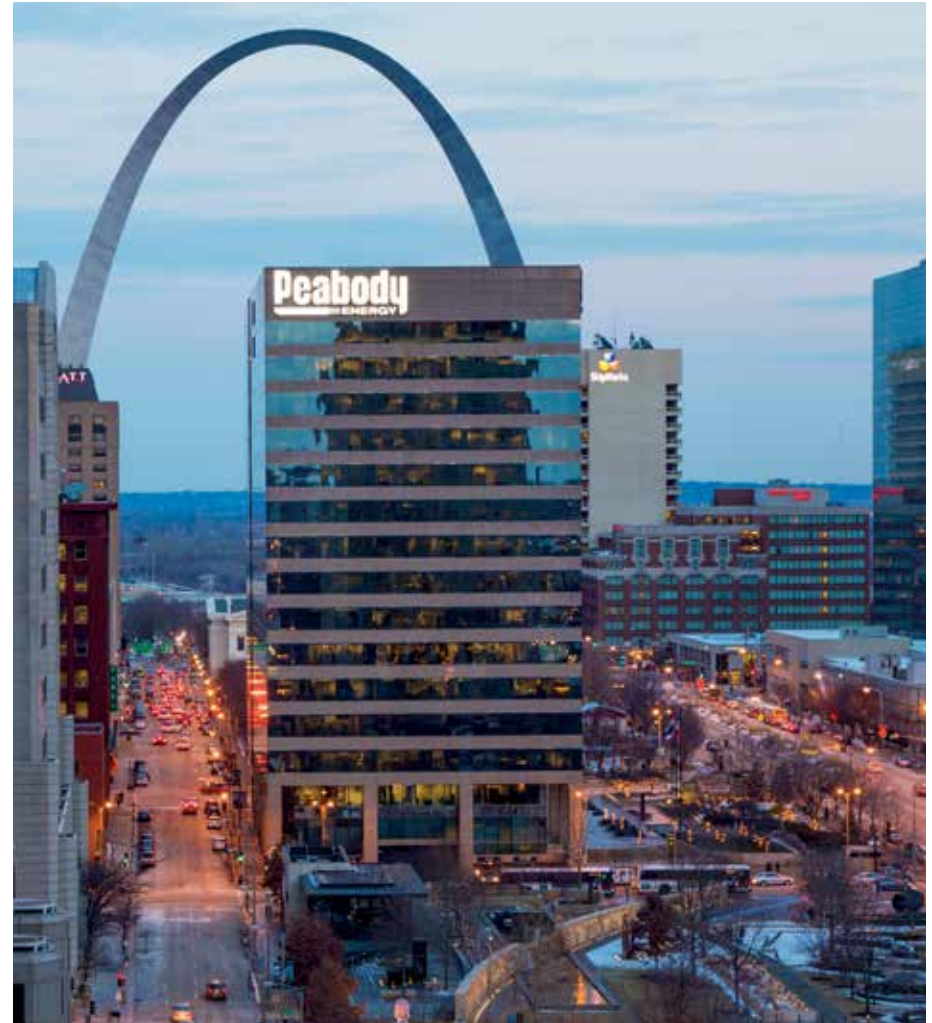
By reducing and reusing waste, Peabody cuts costs, increases resource efficiency and continues to place sustainability at the core of our business. In 2013, we continued to beneficially reuse materials across multiple categories and recycled 13,261 tons of products as diverse as computers, tires and chemicals. For example, rather than dispose of more than 1,500 tons of scrap metal from a closed facility in Indiana, Peabody recycled this material. Recycled volumes declined 26 percent from 2012 levels, a reduction that is largely attributable to a comprehensive cost reduction initiative. In the year, Peabody recycled or disposed of more than 10 million pounds of used oil and 249,000 pounds of used grease, nearly 280,000 pounds of antifreeze and 32,000 pounds of parts washer fluid, and more than 500,000 pounds of batteries.

This emphasis on efficiency extends from our offices to our operations. During the year, Peabody's global headquarters earned certification under Leadership in Energy and Environmental Design 2009 for Commercial Interiors (LEED-CI) from the U.S. Green Building Council. The certification recognizes Peabody's success in renovating its downtown St. Louis building to achieve LEED environmental standards, which include the use of recycled and environmentally friendly materials as well as resource-efficient fixtures for lighting, heating, cooling and water. Other features include bicyclist and pedestrian commuting resources and electric vehicle plug-in stations. The U.S. Green Building Council commended Peabody for locating its headquarters near public transportation.

Another example is widespread and robust tire recycling activities throughout the U.S. West. Western operations repurpose used tires for use as road guards and watering tanks for livestock and wildlife and supply the tires to the U.S. National Park Service as part of an artificial barrier reef and wildlife habitat at Lake Powell, the nation's second largest manmade reservoir.

And in Australia, coal waste rock recycling is progressing at the Metropolitan Mine. A first of its kind on the continent, the pilot plant will process 20 percent of its waste rock into slurry and currently stores the material safely in abandoned underground workings, generating a 33 percent reduction in truck traffic through the neighboring township of Helensburgh since the project commenced in 2011. Within a few years, the project is expected to eliminate the need to transport coal waste rock by truck entirely, delivering significant emissions rate improvements.

The company also complies with the U.S. Resource Conservation and Recovery Act (RCRA), which establishes "cradle-to-grave" requirements for the treatment, storage



In 2013, Peabody achieved LEED certification for its use of recycled materials and energy- and resource-efficient features at the company's headquarters.

and disposal of hazardous wastes. Recycled volumes of reported hazardous wastes rose in 2013; this increase does not reflect greater production or use of hazardous materials but routine variations in planned recycling activities across a dynamic global platform.

Greenhouse Gas Intensity and Energy Efficiency

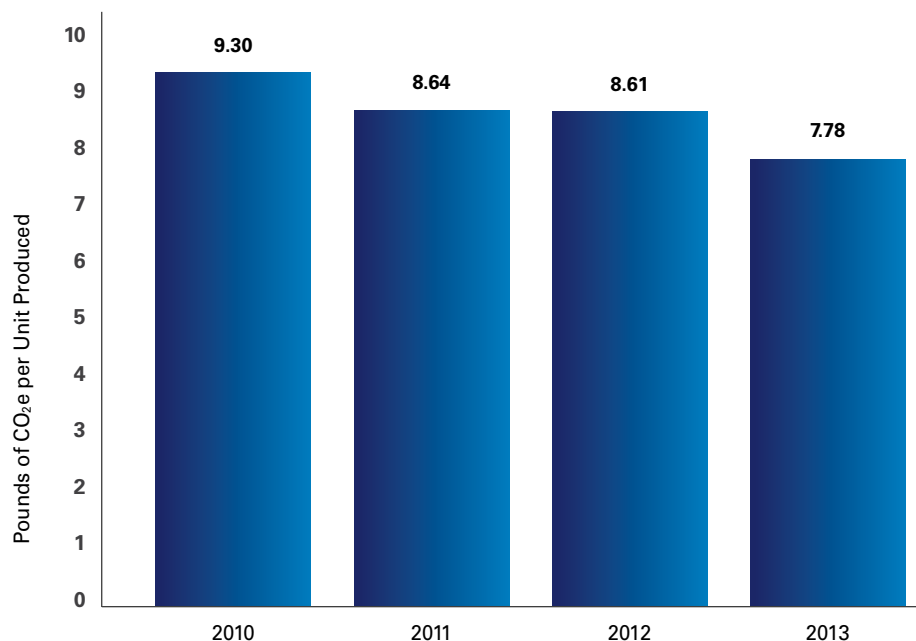
Mining energy requires energy, a paradox that presents a challenge and an opportunity. Peabody is focused on conserving power and reducing greenhouse gas intensity whenever possible through continual improvements in mine planning and engineering, use of advanced technologies and operational best practices.

Investing in Efficiency to Limit Greenhouse Gas Intensity

Peabody has made marked progress toward improving release of gasses at our operations, as measured by the industry's most widely accepted metric for

U.S. Annual Greenhouse Gas Intensity

Pounds Of Greenhouse Gas Emitted (CO₂, CH₄ And N₂O) Per Unit Produced



Greenhouse gas (CO₂, CH₄ and N₂O) intensity is calculated based on emissions of CO₂ equivalent per unit (defined as tons of coal produced plus cubic yard of overburden moved).

A steady decline in Peabody Energy's U.S. greenhouse gas emissions reflects improved capabilities and more accurate measurement.

year-to-year emissions comparisons – emissions in pounds of carbon dioxide equivalent or CO₂e (CO₂, CH₄ and N₂O) per units of production (raw tons of coal mined and cubic yards of overburden moved).

With surface coal seams reaching greater depths in many regions, the energy needed to recover a ton of coal is rising. Nevertheless in 2013, Peabody reported record low emissions levels – marking a greater than 10 percent reduction in total greenhouse gas emissions across global operations.

Importantly, the company also achieved an almost identical reduction in greenhouse gas intensity of about 10 percent, from 12.4 to 11.2 pounds per unit. Although total greenhouse emissions may increase as a mine expands due to methane liberated from coal, greenhouse gas intensity measures can result in flat or declining emissions on a per-ton-of-production basis as a result of conscious energy efficiency initiatives. Measuring emissions on a per-ton basis results in a more accurate picture of the emissions profiles of mines at different stages of development. Peabody's greenhouse gas management begins before mine development; continues during overburden and coal removal; and is conducted as part of land restoration processes and during revegetation activities.

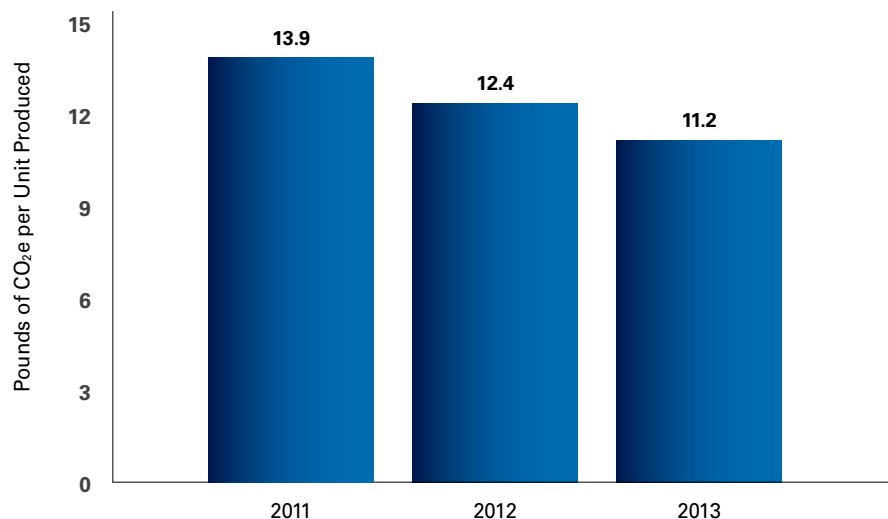
Greenhouse Measurement in Australia

Peabody's operations in Australia reported an emissions reduction of nearly 800 tonnes of CO₂e in 2013. Peabody submits public and government reports outlining detailed greenhouse and energy emissions rates as required by the National Greenhouse and Energy Reporting Act of 2007 and makes this report available at PeabodyEnergy.com.

Since the advent of carbon pricing in 2012, all companies operating in Australia must pay for carbon emissions associated with diesel and electricity consumption at in-country locations. Under Australian law, companies also are required to accrue a carbon liability for so-called "fugitive" methane, or when this naturally occurring greenhouse gas is released during mining activities. Coalbed methane is a component of the coal resource and present at all mining operations. At surface mines, however, methane measurement can be a highly subjective exercise leading to wide variations in assumptions and outcomes. As a result, Peabody has pursued a robust drilling program featuring pre-mining methane capture, as well as data-driven reporting methods to measure levels of methane as accurately as possible.

Global Annual Greenhouse Gas Intensity

Pounds Of Greenhouse Gas Emitted (CO₂, CH₄ And N₂O) Per Unit Produced



In the company's fourth full year of international data collection, Peabody's global 2013 greenhouse gas intensity, including methane, was about 11.2 pounds of greenhouse gas per unit produced, down from 12.4 pounds of greenhouse gas per unit produced as calculated in 2012.

For several years, Peabody's operations in Australia have implemented consistent, best-in-class fugitive emissions measurement standards and technologies. Emissions source procedures assure compliance, and carbon costs are tracked monthly, guiding the company's actions. A Peabody team also consults with the Australian government, which is in the process of planning a potential repeal of the nation's carbon tax.

The company streamlined ventilation metering and emissions reporting standards across its underground operations. Peabody also invested in continuous emission monitoring technology at the North Goonyella, Metropolitan and Wambo underground operations. Installed adjacent to mine ventilation or gas drainage facilities, the

technology continually relays methane and carbon dioxide readings in real-time for storage and analysis. In 2013, Peabody added parameters and refined data capture, producing a comprehensive measure of the company's true carbon footprint underground.

2013 also marked emissions measurement improvements at multiple Australian surface or open-cut mines. In the past, these operations relied on estimates of greenhouse and fugitive methane based on a default factor established by Australian regulators. In shallow deposits and under certain geological circumstances, these default factors can significantly overestimate emissions – and related carbon taxation levels. To address this challenge, the Australian Coal Association Research Program in late 2011 released guidelines for the direct measurement of fugitive emissions from open-cut mines. Known as Method 2 reporting, these robust guidelines are accepted by regulators and guide drilling, testing, content analysis, geological modeling, peer reviews, incorporation into production reporting systems and audit preparedness.

Peabody's Wilpinjong and Wambo mines adopted the guidelines in 2012. By relying on direct measurement rather than default factors, both mines markedly improved reporting precision. The Wilpinjong Mine released 570,489 CO₂e tonnes fewer emissions than modeled by the default factor calculation, and the Wambo Mine reduced its emissions from 188,619 CO₂e tonnes to 8,948 CO₂e tonnes.

Greenhouse Gas Mitigation in Australia

Peabody is as focused on mitigation and measurement, with an emphasis on advanced technology solutions. Improved gas drainage practices at the company's North Goonyella Mine in Queensland present a powerful example. Methane that was formerly free vented from the mine can now be flared, or collected and combusted. As a greenhouse gas, methane is considered to be far more potent than carbon dioxide. North Goonyella collects greenhouse gasses through wells before mining. The flaring process chemically converts this methane to CO₂, reducing the greenhouse gas potency seven fold. This safe, commercial and highly effective process is estimated to have reduced the North Goonyella Mine's greenhouse emissions by as much as 469,524 tonnes of CO₂e in 2013.

Also in 2013, the company extended the size of 12 elevated vertical stacks at the well that flares North Goonyella's gas, enhancing the efficiency of this chemical conversion. In addition, the company has implemented three Blo Skids, a form of technology that uses an electric drive and gas blower to extract or drain methane. This technology is expected to save 1,000,000 liters of diesel per year over more energy-intensive methods.


Measurement and Mitigation in the Americas

For several years, Peabody's U.S. operations voluntarily reported greenhouse gas intensity in pounds of CO₂e 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.

While measuring and mitigating methane is an area of focus, the U.S. Environmental Protection Agency in its Mandatory Reporting Rule notes that there is no universally accepted, reliable and feasible formula methodology at U.S. surface mines:

"... there are currently no robust facility-level monitoring methods to measure fugitive CH₄ emissions from surface mines. Measuring fugitive emissions at specific locations would not adequately capture the emissions from the entire mine, would be expensive and resource-intensive, and difficult for mine operators to implement on a periodic basis."

At underground mines, the company monitors and reports greenhouse gas emissions to the EPA by collecting air samples and performing data analysis. Each underground mine sends a monthly "bag" sample at each mine shaft or portal for



One of the world's most massive machines, the 1570-W dragline crosses the high desert on a specialized carrier. The size of a ship on dry land, a typical dragline requires considerable electricity over a period of a month or more to "walk" long distances. By employing the more energy-efficient carrier technique, Peabody was able to complete this move in a fraction of the time.

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. Activities to seal off old workings at underground mines and upgrade ventilation systems also have contributed to reduced methane at operations. Taken together with numerous fuel conservation and energy-efficiency efforts, these actions have enabled the company to continue to develop operations, while reducing greenhouse emissions rates.

Actions to Improve Energy Efficiency

Peabody's non-methane-related greenhouse gas emissions come primarily from electricity and diesel fuel use during overburden handling, coal removal, mine ventilation, coal processing and land restoration.

Moving forward, Peabody will continue to conduct energy use assessments. The company publicly reports the results of such assessments as a participant in the Australian Government's Energy Efficiency Opportunities (EEO) program.



Recently installed well blowers – or Blo Skids – at the North Goonyella Mine replace less efficient methane drainage systems, saving more than 1,000,000 liters of diesel fuel per year.

While participation in the program is a regulatory obligation, it also offers an opportunity to maximize energy efficiencies and minimize costs.

In the United States, longer haul roads and a larger fleet led to an increase in fuel use in the U.S. Midwest, but diesel fuel use intensity declined at Powder River Basin and Southwestern operations on a per unit of production basis. Overall, the company's electricity use intensity was 792 kilocalories (kcal) per unit of production, representing a 3 percent efficiency improvement from 2012 levels.

The company is now focused on lowering horsepower in its equipment fleet where possible and curtailing machine idling to optimize fuel use. Modular mining dispatch systems at larger surface mines help optimize haul truck and shovel assignments. Peabody also began investigating the use of a fuel additive – Diesel Extra – at its Coppabella Mine in Australia in 2013. If the trial is successful, the additive could reduce fuel usage by up to 5 percent. The company monitors equipment manufacturers for efficiency upgrades and implements any that provide justifiable fuel savings. A prime example is an upgrade of all D11 dozer engines to the new more efficient C32 engines. In addition, Peabody participates in the U.S. EPA's SMARTWAY program, which identifies, researches and recommends best management practices that can lead to reduced emissions rates from off-road equipment.

Upgrading equipment can offer immediate energy savings. In the United States, Peabody continued to deploy "ultra-class" haul trucks, each with a payload of approximately 400-plus tons and fuel efficiencies of 15 percent to 20 percent. In Australia, an electric-rope shovel commissioned at Millennium Mine is expected to displace a large amount of diesel powered hydraulic excavator activity over time. This shovel already is improving operational efficiencies, which should deliver a reduction in total energy consumption and associated emissions rates. As Peabody converted multiple Australian mines from contractor to company control, upgraded equipment has been introduced that is expected to reduce the amount of electricity and diesel fuel expended per unit of production throughout the company's Australian surface fleet.

The largest single piece of mining equipment – the dragline – frequently displaces haul truck traffic, reducing annual diesel consumption and related carbon emissions rates. These large earthmoving machines traditionally relocate to new mining areas by "walking" about one-tenth of a mile in an hour using shoes that lift and advance. This process requires generators and road and power line construction support 24 hours a day for a month or more. Peabody successfully used an innovative, less emissions-intensive approach to relocate its 8-million-pound 1570-W dragline 20 miles from the company's Lee Ranch Mine to its new home at the El Segundo Mine, both in New Mexico. The massive machine was loaded onto a specialized carrier featuring 150 axle

lines, each consisting of four heavy-duty truck tires coupled together to form a self-propelled transport vehicle. This is the same approach NASA employs to transport space shuttles and enabled the dragline to move at speeds of up to two miles per hour, reaching the El Segundo Mine in just 12 days and eliminating the need for electric power.

Engaging with the Australian Government to Shape Carbon Policy

No binding international commitment to reduce carbon exists, and Australia offers a sobering example of the pitfalls of any “go-it-alone” carbon policy. In 2013, a new Australian federal government was elected with a mandate to repeal an onerous carbon tax, the Carbon Pricing Mechanism, following a wrenching implementation that many believe has significantly weakened the Australian economy and burdened consumers. Implemented on July 1, 2012, the fixed price carbon tax was expected to transition to a cap-and-carbon emissions trading scheme. Peabody began paying for carbon emissions associated with the diesel and electricity consumption at its Australian operations and accruing a carbon liability for fugitive emissions. The fixed price of carbon commenced at \$23 per tonne of CO₂e, and under the law increases at 5 percent per year (2.5 percent real and 2.5 percent nominal).

The current Australia government has pledged to repeal this taxation scheme. In the interim, Peabody continues to satisfy all compliance obligations, evaluate abatement technologies and measurement procedures for accuracy, work to minimize liability and regularly communicate performance.

In conjunction with industry associations such as the Australian Coal Association and Queensland Resources Council, Peabody also continues to advocate for realistic targets that achieve real emissions reductions and acknowledge energy need. The leaders of the largest developing economies – China and India – have frequently and adamantly pledged not to accept any binding global commitment to reduce carbon, which would limit economic growth. Coal has been the fastest-growing major fuel source in the world over the past decade.

In a highly competitive global market with no binding international carbon agreement, policies designed solely to increase the cost of carbon in a single nation simply punish consumers and drive business to switch to less expensive, but more carbon-intensive, sources of supply, resulting in a net increase in global emissions rates. In contrast, advanced clean coal technologies that are available today can reduce emissions rates immediately, while supporting economic growth and encouraging compliance.



Train cars exiting the North Antelope Rochelle Mine in Wyoming are sprayed with a sealant with the same active ingredient as household glue. This dust-control measure offers added comfort to communities that host coal trains and is in use at mines from Queensland to Wyoming.

Water Reuse and Conservation

Peabody is focused on conserving water by pursuing sustainable modern coal mining practices everywhere the company operates. In fact, coal mining is one of the least water intensive forms of resource extraction. The U.S. Geological Survey reports that all forms of mining cumulatively withdraw 1 percent of water consumed in the United States, with coal comprising less than 1 percent of that total.¹ Agricultural irrigation, in contrast, consumes about two-thirds of all fresh groundwater in the country, according to the U.S. Department of Energy.

Peabody is committed to pursuing opportunities to reduce, reuse and recycle water whenever possible. Water is used for exploration, mining, processing, land restoration and for drinking purposes. Peabody also uses water to generate hydroelectric power under some circumstances. Water recycling and use varies by region, method of mining, equipment used and local availability, with operations in more arid environments consuming less while other mining operations routinely manage surplus water from storms or groundwater.

Weather conditions also introduce management challenges with sudden increases or decreases in water flows in a particular region. For example, during Australia's wet seasons, high rainfalls and flooded rivers have inundated surface mines; Peabody's focus at these times is mitigating flood risk and managing water held in surface basins at the mines in accordance with regulations. In contrast, in the dry U.S. Southwest, the company focuses on water conservation strategies.

Peabody uses water from different sources and in a variety of quantities, including groundwater, surface water from rivers, lakes, rain and snow, and water from impoundments. In addition, water associated with the production of adjacent and naturally occurring coalbed methane is reused in Australia. This saline-rich water is blended with collected storm runoff then delivered to mine facilities for reuse. Some U.S. and Australian locations have been able to recycle considerable percentages of total water consumed; others source it from external treatment plants.

Minor amounts of water are used for sanitary purposes such as in showers, for equipment maintenance and in coal preparation; the overwhelming use of water at

Peabody's operations is for dust control. In addition to aqueous solutions of calcium chloride, magnesium chloride and lignin sulphate, water is used to suppress dust on roadways.

Much of the water present on a mine site is the result of precipitation runoff. In the United States, surface basins or settling ponds remove suspended sediments and associated metals. Water is then either used on the mine site or released to natural receiving streams. Small amounts of water also originate from coal and rock formations.

Small volumes of water flow from the ponds into ditches, gullies and seasonal streams, where these supplies are ultimately recycled back into the hydrological system. Routine monitoring of the water held in these ponds confirms that it typically is of equal, or better, quality to receiving streams and is suitable for wildlife.

Peabody currently tracks water usage, recycling and discharge with a goal to minimize use. We have committed to report available data on water reuse, recycling and consumption volumes in 2013. Peabody also has pledged to provide additional detail specific to Global Reporting Initiative (GRI) water reporting guidelines in 2014 and 2015, and arrangements are under way to expand data collection and analysis. Peabody last year:

- Consumed 12.2 billion total gallons of water (evaporation of water, haul road dust treatment, livestock watering, incorporation in coal or refuse), and;
- Reused or recycled 5.7 billion gallons.

Released water must meet strict water quality standards, and Peabody rigorously tests and treats water and often tests aquatic biology in the receiving streams to assure quality.

Peabody provides publicly available and detailed water use reports to federal, state and tribal regulatory agencies. The company's water management programs comply with and often surpass regulatory standards.

¹ *Estimated Use of Water in the United States in 2005," 2009, U.S. Geological Survey, Circular: 1344, Figure 1, Total water withdrawals by category, pg. 5.*



Egrets find a comfortable perch amid a flowing stream at restored lands located at the company's former Somerville East Mine. Peabody routinely evaluates opportunities to create water features that provide vital wildlife habitat.

Civic and Community Cooperation on Water Management

In its 2014 World Water Development Report, the United Nations identifies unsafe drinking water and energy poverty as the two major impediments to human development. The report reveals that these problems are interrelated; places where people lack adequate access to water largely coincide with those where electric power, too, is scarce. The report's authors note that water is needed for the production of energy and economic development, just as energy is required for the collection, transportation and treatment of water. As U.N. Secretary-General Ban Ki-moon notes, "Water must be used – and electricity must be generated and distributed – equitably and efficiently, so all users get a fair share."

Concern about water availability is global, but water access is a local issue. Peabody seeks to demonstrate responsible water resource stewardship, which includes fully understanding current and future water requirements of upstream and downstream stakeholders and prioritizing the needs of these local residents. We recognize mining activities can impact water supplies, and each Peabody operation is required to measure water use, reduce potential impacts on water resources and fully comply with all regulatory requirements.

In addition, Peabody routinely evaluates opportunities to create water features on mined lands that provide additional wildlife habitat and recreational opportunities for local communities. Compared to pre-mined lands, restored properties feature two to three times the water features where development is compatible with existing water rights. These features provide for good surface water quality, increased groundwater flows and additional protection in flood-prone areas. Overall, Peabody's land restoration activities reduce soil erosion, minimize suspended sediment runoff, maintain soil quality and support runoff water quality. These approaches also create natural carbon sinks, increasing the amount of carbon that is retained in soils rather than released into the atmosphere.

Another example is the Manymules Water Pipeline Project with the Navajo Nation. Water is a valuable commodity on reservation lands on the arid high-desert Black Mesa surrounding the Kayenta Mine in Northeastern Arizona. Yet, few municipal water services serve the tribal residents in this remote region; instead, residents purchase water in bulk or depend upon community wells. As a partner in the Manymules Water Pipeline Project, the company is working to install pipelines that could offer a more steady supply of treated water to more than 835 residential locations within and near the company's Kayenta complex lease area. The project includes a detailed cultural assessment of lands where pipeline infrastructure would be constructed. It also involves creating an electricity source to run water pumps and establish sanitary water

infrastructure. Key project partners include the Navajo Department of Water Resources, the Black Mesa Review Board and the Kayenta, Forest Lake, Chilchinbeto and Shonto Chapters, which are tribal governmental structures similar to townships. Assistance is also being provided by the Navajo Tribal Utility Authority and the Indian Health Service.

Similarly, in Australia, the company in 2013 emphasized its commitment to transparency as a major participant in a community "report card" outlining water management activities in Queensland's Fitzroy Basin, home to multiple water catchments. Led by the Fitzroy Partnership for River Health, the report card features data from 26 industry representatives, state and local government entities, universities and environmental and agricultural groups and addresses the collective health of rivers, creeks and the estuary and marine environment in the Bowen Basin.

Also in 2013, Peabody in Australia established a multi-disciplinary team to guide medium- to long-term water and tailings management. A task force of external experts is supporting the team.

Peabody has earned more than 30 major environmental honors; more than a third of these recognize excellence in restoration of streams and wetlands. The company has also won four of the highest national honors for wetland restoration granted by the U.S. Department of the Interior.





2014 Environmental Responsibility Objectives

Peabody targets the following environmental objectives:

- The company will strive to be a leader in environmental stewardship, community outreach and sustainable development, working in partnership with key stakeholders.
- The company will continue to explore, develop and implement practices that minimize water use and provide for water reuse and recycling. Peabody will phase-in reporting specific to Global Reporting Initiative (GRI) water reporting guidelines (G4-EN8, G4-EN9, G4-EN10, G4-EN22 and G4-EN26) and the GRI waste reporting guideline G4-EN23 by 2015.
- Peabody will continue to adhere to the highest ethical standards in all environmental practices and interactions with customers, regulators and communities.
- The company will continue to develop and implement best practices to increase biological diversity on managed lands.
- Peabody will continue to train the workforce concerning required and appropriate environmental practices and routinely communicate updates to regulatory requirements and permit stipulations to assure compliance.
- Peabody will continue to explore practices and technologies to minimize energy usage.
- The company will seek to minimize material waste through an emphasis on recycling and efficiencies, and Peabody will seek to perform environmental characterizations for all special and hazardous materials prior to purchase.



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