

PEABODY ENERGY CORP  
Form DEF 14A  
March 20, 2012  
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14A-101)

Information Required in Proxy Statement

Schedule 14A Information

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

PEABODY ENERGY CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
  - Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
- 1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

SEC 1913 (02-02)

**Table of Contents**

March 20, 2012

Dear Shareholder:

You are cordially invited to attend the 2012 Annual Meeting of Shareholders of Peabody Energy Corporation, which will be held on Tuesday, May 1, 2012, at 10:00 A.M., Central Time, at The Peabody Opera House, 1400 Market Street, St. Louis, Missouri 63103.

During this meeting, shareholders will vote on the following items:

1. Election of 11 Directors for a one-year term;
2. Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012;
3. Advisory resolution to approve named executive officer compensation;
4. If properly presented at the meeting, a shareholder proposal; and
5. Consideration of any other business that may properly come before the meeting.

The accompanying Notice of Annual Meeting of Shareholders and Proxy Statement contain complete details on these items and other matters. We also will be reporting on our operations and responding to shareholder questions. If you have questions that you would like to raise at the meeting, we encourage you to submit written questions in advance (by mail or e-mail) to the Corporate Secretary. This will help us respond to your questions during the meeting. If you would like to e-mail your questions, please send them to [stockholder.questions@peabodyenergy.com](mailto:stockholder.questions@peabodyenergy.com).

Your understanding of and participation in the Annual Meeting is important, regardless of the number of shares you hold. To ensure your representation, we encourage you to vote over the telephone or Internet or to complete and return a proxy card as soon as possible. If you attend the Annual Meeting, you may then revoke your proxy and vote in person if you so desire.

Thank you for your continued support of Peabody Energy. We look forward to seeing you on May 1.

Very truly yours,

GREGORY H. BOYCE

*Chairman and Chief Executive Officer*

Table of Contents

**PEABODY ENERGY CORPORATION**

**Peabody Plaza**

**701 Market Street**

**St. Louis, Missouri 63101-1826**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

Peabody Energy Corporation (the Company) will hold its Annual Meeting of Shareholders at The Peabody Opera House, 1400 Market Street, St. Louis, Missouri 63103 on Tuesday, May 1, 2012, at 10:00 A.M., Central Time, to:

Elect 11 Directors for a one-year term;

Ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012;

Vote on an advisory resolution to approve named executive officer compensation;

If properly presented at the meeting, vote on a shareholder proposal; and

Consider any other business that may properly come before the Annual Meeting.

The Board of Directors has fixed March 12, 2012 as the record date for determining shareholders who will be entitled to receive notice of and vote at the Annual Meeting or any adjournment. Each share of Common Stock is entitled to one vote. As of the record date, there were 272,255,193 shares of Common Stock outstanding.

If you own shares of Common Stock as of March 12, 2012, you may vote those shares via the Internet, by telephone or by attending the Annual Meeting and voting in person. If you received your proxy materials by mail, you may also vote your shares by completing and mailing your proxy/voting instruction card.

An admittance card or other proof of ownership is required to attend the Annual Meeting. If you are a shareholder of record, please retain the admission card printed on your Notice of Internet Availability of Proxy Materials or your proxy card for this purpose. Also, please indicate your intention to attend the Annual Meeting by checking the appropriate box on the proxy card, or, if voting by the Internet or by telephone, when prompted. If your shares are held by a bank or broker, you will need to ask that record holder for an admission card in the form of a confirmation of beneficial ownership. If you do not receive a confirmation of beneficial ownership or other admittance card from your bank or broker, you must bring proof of share ownership (such as a copy of your brokerage statement) to the Annual Meeting.

**Your vote is important. Whether or not you plan to attend the Annual Meeting, please cast your vote by telephone or the Internet, or complete, date and sign a proxy card and return it in the envelope provided. If you attend the Annual Meeting, you may withdraw your proxy and vote in person, if you so choose.**

ALEXANDER C. SCHOCH

*Executive Vice President Law, Chief Legal Officer and Secretary*

March 20, 2012

**Table of Contents****TABLE OF CONTENTS**

	<b>Page No.</b>
<u>NOTICE OF ANNUAL MEETING OF SHAREHOLDERS</u>	
<u>QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING</u>	1
<u>ELECTION OF DIRECTORS (ITEM 1)</u>	6
<u>Director Qualifications</u>	6
<u>INFORMATION REGARDING BOARD OF DIRECTORS AND COMMITTEES</u>	10
<u>Director Independence</u>	10
<u>Board Attendance and Executive Sessions</u>	11
<u>Director Orientation and Continuing Education</u>	11
<u>Board Leadership Structure</u>	11
<u>Role of the Board in Risk Oversight</u>	12
<u>Committees of the Board of Directors</u>	12
<u>REPORT OF THE AUDIT COMMITTEE</u>	17
<u>FEES PAID TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	18
<u>CORPORATE GOVERNANCE MATTERS</u>	19
<u>Majority Voting Bylaw</u>	19
<u>Communications with the Board of Directors</u>	20
<u>Overview of Director Nominating Process</u>	20
<u>OWNERSHIP OF COMPANY SECURITIES</u>	23
<u>Beneficial Owners of More Than Five Percent, Directors and Management</u>	23
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	24
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	24
<u>REPORT OF THE COMPENSATION COMMITTEE</u>	42
<u>EXECUTIVE COMPENSATION</u>	43
<u>Summary Compensation Table</u>	43
<u>Grants Of Plan-Based Awards In 2011</u>	45
<u>Outstanding Equity Awards At 2011 Fiscal Year End</u>	46
<u>Option Exercises And Stock Vested In 2011</u>	48
<u>Pension Benefits In 2011</u>	50
<u>Nonqualified Deferred Compensation In 2011</u>	51
<u>Potential Payments Upon Termination Or Change In Control</u>	51
<u>DIRECTOR COMPENSATION</u>	54
<u>COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION</u>	56
<u>POLICY FOR APPROVAL OF RELATED PERSON TRANSACTIONS</u>	57
<u>RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (ITEM 2)</u>	57
<u>ADVISORY RESOLUTION TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION (ITEM 3)</u>	58
<u>CONSIDERATION OF A SHAREHOLDER PROPOSAL (ITEM 4)</u>	59
<u>ADDITIONAL INFORMATION</u>	61
<u>Information About Shareholder Proposals</u>	61
<u>Householding of Proxies</u>	61
<u>Additional Filings</u>	62
<u>Costs of Solicitation</u>	62
<u>OTHER BUSINESS</u>	63

**Table of Contents**

**PEABODY ENERGY CORPORATION**

**PROXY STATEMENT**

**FOR THE**

**2012 ANNUAL MEETING OF SHAREHOLDERS**

**QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING**

**Q: Why did I receive a notice in the mail regarding the Internet availability of proxy materials this year instead of a full set of proxy materials?**

A: In accordance with rules and regulations adopted by the Securities and Exchange Commission (the SEC), instead of mailing a printed copy of our proxy materials to each shareholder of record, we may furnish proxy materials, including this Proxy Statement and the Peabody Energy Corporation (Peabody or the Company) 2011 Annual Report to Shareholders, by providing access to them via the Internet. We believe this allows us to provide our shareholders with the information they need, while lowering the costs of delivery and reducing the environmental impact of our Annual Meeting.

Most shareholders will not receive printed copies of the proxy materials unless they request them. Instead, a Notice of Internet Availability of Proxy Materials (the Notice) was mailed that will tell you how to access and review all of the proxy materials on the Internet. The Notice also tells you how to submit your proxy on the Internet or by telephone. If you would like to receive a paper or email copy of our proxy materials, you should follow the instructions for requesting them in the Notice.

**Q: Why am I receiving these materials?**

A: We are providing these proxy materials to you on the Internet or delivering printed versions of these materials to you by mail in connection with our Annual Meeting of Shareholders, which will take place on May 1, 2012. These materials were first made available on the Internet or mailed to shareholders on or about March 20, 2012. You are invited to attend the Annual Meeting and requested to vote on the proposals described in this Proxy Statement.

**Q: What is included in these materials?**

A: These materials include:

Our Proxy Statement for the Annual Meeting; and

Our 2011 Annual Report to Shareholders, which includes our audited consolidated financial statements.

If you requested printed versions of these materials, they also include the proxy/voting instruction card for the Annual Meeting.

**Q: What am I being asked to vote on?**

A: You are being asked to vote on the following items:

Election of Gregory H. Boyce, William A. Coley, William E. James, Robert B. Karn III, M. Frances Keeth, Henry E. Lentz, Robert A. Malone, William C. Rusnack, John F. Turner, Sandra A. Van Trease and Alan H. Washkowitz as directors for a one-year term;

Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012;

Advisory resolution to approve named executive officer compensation;

**Table of Contents**

If properly presented at the meeting, a shareholder proposal; and

Any other matter properly introduced at the meeting.

**Q: What are the voting recommendations of the Board of Directors?**

A: The Board recommends the following votes:

FOR the election of Gregory H. Boyce, William A. Coley, William E. James, Robert B. Karn III, M. Frances Keeth, Henry E. Lentz, Robert A. Malone, William C. Rusnack, John F. Turner, Sandra A. Van Trease and Alan H. Washkowitz as directors (Item 1);

FOR ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012 (Item 2);

FOR the advisory resolution to approve named executive officer compensation (Item 3); and

AGAINST the shareholder proposal (Item 4).

**Q: Will any other matters be voted on?**

A: We are not aware of any other matters that will be brought before the shareholders for a vote at the Annual Meeting. If any other matter is properly brought before the meeting, your proxy will authorize each of Alan H. Washkowitz, Alexander C. Schoch and Kenneth L. Wagner to vote on such matters in his discretion.

**Q: How do I vote?**

A: If you are a shareholder of record or hold Common Stock through the Peabody Investments Corp. Employee Retirement Account (or any of the other 401(k) plans sponsored by our subsidiaries), you may vote using any of the following methods:

Via the Internet, by visiting the website [www.voteproxy.com](http://www.voteproxy.com) and following the instructions for Internet voting on your Notice or proxy/voting instruction card;

By dialing 1-800-PROXIES (1-800-776-9437) in the United States ( U.S. ) or 1-718-921-8500 from other countries and following the instructions for telephone voting on your Notice or proxy/voting instruction card;

If you received your proxy materials by mail, by completing and mailing your proxy/voting instruction card; or



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By casting your vote in person at the Annual Meeting.

If you vote over the Internet, you may incur costs such as telephone and Internet access charges for which you will be responsible. The telephone and Internet voting facilities for the shareholders of record of all shares, other than those held in the Peabody Investments Corp. Employee Retirement Account (or other 401(k) plans sponsored by our subsidiaries), will close at 10:59 P.M. Central Time on April 26, 2012. The Internet and telephone voting procedures are designed to authenticate shareholders by use of a control number and to allow you to confirm that your instructions have been properly recorded.

If you participate in the Company Stock Fund under the Peabody Investments Corp. Employee Retirement Account (or other 401(k) plans sponsored by our subsidiaries), and had shares of Common Stock credited in your account on the record date of March 12, 2012, you will receive a single Notice or proxy/voting instruction card with respect to all shares registered in your name, whether inside or outside of the plan. If your accounts inside and outside of the plan are not registered in the same name, you will receive a separate Notice or proxy/voting instruction card with

**Table of Contents**

respect to the shares credited in your plan account. Voting instructions regarding plan shares must be received by 10:59 P.M. Central Time on April 26, 2012, and all telephone and Internet voting facilities with respect to plan shares will close at that time.

Shares of Common Stock in the Peabody Investments Corp. Employee Retirement Account (or other 401(k) plans sponsored by our subsidiaries) will be voted by Vanguard Fiduciary Trust Company ( Vanguard ), as trustee of the plan. Plan participants should indicate their voting instructions to Vanguard for each action to be taken under proxy by Internet or telephone or by completing and returning a proxy/voting instruction card. All voting instructions from plan participants will be kept confidential. If a plan participant fails to sign or to timely return the proxy/voting instruction card or otherwise timely indicate his or her instructions by telephone or over the Internet, the shares allocated to such participant, together with unallocated shares, will be voted in the same proportion as plan shares for which Vanguard receives voting instructions.

If you vote by Internet or telephone or return your signed proxy/voting instruction card, your shares will be voted as you indicate. If you do not indicate how your shares are to be voted on a matter, your shares will be voted in accordance with the voting recommendations of the Board of Directors.

If your shares are held in a brokerage account in your broker's name (also known as street name ), you should follow the instructions for voting provided by your broker or nominee. You may submit voting instructions by Internet or telephone or, if you received your proxy materials by mail, you may complete and mail a voting instruction card to your broker or nominee. If you provide specific voting instructions by telephone, Internet or mail, your broker or nominee will vote your shares as you have directed. Please note that shares in our U.S. Employee Stock Purchase Plan are held in street name by Merrill Lynch, the plan administrator.

Ballots will be provided during the Annual Meeting to anyone who wants to vote in person at the meeting. If you hold shares in street name, you must request a confirmation of beneficial ownership from your broker to vote in person at the meeting.

**Q: Can I change my vote?**

A: Yes. If you are a shareholder of record, you can change your vote or revoke your proxy before the Annual Meeting by:

Submitting a valid, later-dated proxy/voting instruction card;

Submitting a valid, subsequent vote by telephone or the Internet at any time prior to 10:59 P.M. Central Time on April 30, 2012;

Notifying our Corporate Secretary in writing that you have revoked your proxy; or

Completing a written ballot at the Annual Meeting.

You can revoke your voting instructions with respect to shares held in the Peabody Investments Corp. Employee Retirement Account (or other 401(k) plans sponsored by our subsidiaries) at any time prior to 10:59 P.M. Central Time on April 26, 2012 by timely delivery of an Internet or telephone vote, or a properly executed, later-dated voting instruction card, or by delivering a written revocation of your voting instructions to Vanguard.

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If your shares are held in a brokerage account in your broker's name, you should follow the instructions for changing or revoking your vote provided by your broker or nominee.

**Table of Contents**

**Q: Is my vote confidential?**

A: Yes. All proxies, ballots and vote tabulations that identify how individual shareholders voted will be kept confidential and not be disclosed to our directors, officers or employees, except in limited circumstances, including:

When disclosure is required by law;

During any contested solicitation of proxies; or

When written comments by a shareholder appear on a proxy card or other voting material.

**Q: What will happen if I do not instruct my broker how to vote?**

A: If your shares are held in street name and you do not instruct your broker how to vote, one of two things can happen, depending on the type of proposal. Pursuant to New York Stock Exchange ( NYSE ) rules, brokers have discretionary power to vote your shares on routine matters, but they do not have discretionary power to vote your shares on non-routine matters. We believe that the only proposal that will be considered routine under NYSE rules is Item 2, which means that your broker may vote your shares in its discretion on that item. This is known as broker discretionary voting.

**The election of directors (Item 1) and Items 3 and 4 are considered non-routine matters. Accordingly, your broker may not vote your shares with respect to these matters if you have not provided instructions. This is called a broker non-vote.**

**We strongly encourage you to submit your proxy and exercise your right to vote as a shareholder.**

**Q: How will my Company stock in the Peabody Investments Corp. Employee Retirement Account or other 401(k) plans sponsored by the Company's subsidiaries be voted?**

A: Vanguard, as the plan trustee, will vote your shares in accordance with your instructions if you vote by Internet or the telephone or send in a completed proxy/voting instruction card before 10:59 P.M. Central Time on April 26, 2012. All telephone and Internet voting facilities with respect to plan shares will close at that time. Vanguard will vote allocated shares of Common Stock for which it has not received direction, as well as shares not allocated to individual participant accounts, in the same proportion as plan shares for which Vanguard receives voting instructions.

**Q: How many shares must be present to hold the Annual Meeting?**

A: Holders of a majority of the shares of outstanding Common Stock as of the record date must be represented in person or by proxy at the Annual Meeting in order to conduct business. This is called a quorum. If you vote, your shares will be part of the quorum. Abstentions, Withheld votes and broker non-votes also will be counted in determining whether a quorum exists.

**Q: What vote is required to approve the proposals?**

A: In the election of directors, the number of shares voted For a nominee must exceed 50% of the number of votes cast with respect to such nominee's election in order for such nominee to be elected. Votes cast include votes to withhold authority and exclude abstentions with respect to a nominee's election. If the number of shares voted For a nominee does not exceed 50% of the number of votes cast with respect to such nominee's election, our Corporate Governance Guidelines require that such nominee promptly tender his or her resignation to the Chairman of the Board following certification of the shareholder vote. The procedures to be followed by the Board with respect to such resignation are described on page 19.

**Table of Contents**

The proposals to ratify the appointment of Ernst & Young LLP (Item 2), to approve the advisory resolution on named executive officer compensation (Item 3), and to consider the shareholder proposal (Item 4), will require approval by the holders of a majority of the shares present in person or by proxy at the meeting and entitled to vote. Abstentions and broker non-votes will have no effect on these proposals. Votes will be tabulated by the independent inspector of election appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes.

**Q: What does it mean if I receive more than one notice or proxy card or voting instruction form?**

A: It means your shares are registered differently or are held in more than one account at the transfer agent and/or with banks or brokers. Please vote all of your shares.

**Q: Who may attend the Annual Meeting?**

A: All Peabody Energy Corporation shareholders as of March 12, 2012 may attend the Annual Meeting.

**Q: What do I need to do to attend the Annual Meeting?**

A: If you are a shareholder of record or a participant in the Peabody Investments Corp. Employee Retirement Account (or other 401(k) plans sponsored by our subsidiaries), your admission card is printed on the Notice or attached to your proxy card or voting instruction form. You will need to bring this admission card with you to the Annual Meeting.

If you own shares in street name, you will need to ask your bank or broker for an admission card in the form of a confirmation of beneficial ownership. You will need to bring a confirmation of beneficial ownership with you to vote at the Annual Meeting. If you do not receive your confirmation of beneficial ownership in time, bring your most recent brokerage statement with you to the Annual Meeting. We can use that to verify your ownership of Common Stock and admit you to the meeting; however, you will not be able to vote your shares at the meeting without a confirmation of beneficial ownership.

**Q: Where can I find the voting results of the Annual Meeting?**

A: We plan to announce preliminary voting results at the Annual Meeting and to publish final results in a Current Report on Form 8-K filed with the SEC within four business days after the Annual Meeting.

**Table of Contents**

**ELECTION OF DIRECTORS (ITEM 1)**

The Board of Directors has nominated Gregory H. Boyce, William A. Coley, William E. James, Robert B. Karn III, M. Frances Keeth, Henry E. Lentz, Robert A. Malone, William C. Rusnack, John F. Turner, Sandra A. Van Trease and Alan H. Washkowitz for election as directors, each to serve for a term of one year and until his or her successor is duly elected and qualified. Each nominee is currently serving as a director and has consented to serve for the new term. Should any of them become unavailable for election, your proxy authorizes us to vote for such other person, if any, as the Board may recommend.

**The Board of Directors recommends that you vote FOR the Director nominees named above.**

**Director Qualifications**

Pursuant to its charter, the Nominating and Corporate Governance Committee reviews with the Board, at least annually, the requisite qualifications, independence, skills and characteristics of Board candidates, members and the Board as a whole. While the selection of qualified directors is a complex and subjective process that requires consideration of many intangible factors, the Committee believes that candidates should generally meet the following criteria:

Broad training, experience and a successful track record at senior policy-making levels in business, government, education, technology, accounting, law, consulting and/or administration;

The highest personal and professional ethics, integrity and values;

Commitment to representing the long-term interests of the Company and all of its shareholders;

An inquisitive and objective perspective, strength of character and the mature judgment essential to effective decision-making;

Expertise that is useful to the Company and complementary to the background and experience of other Board members; and

Sufficient time to devote to Board and committee activities and to enhance their knowledge of our business, operations and industry. The Board believes that all of our directors meet these criteria. In addition, as outlined below, each director brings a strong and unique background and set of skills to the Board, giving the Board as a whole competence and experience in a wide variety of areas, including the coal industry, related energy industries, finance and accounting, operations, environmental affairs, international affairs, governmental affairs and administration, public policy, healthcare, corporate governance, board service and executive management.

We believe that the Board as a whole and each of our directors possess the necessary qualifications and skills to effectively advise management on strategy, monitor our performance and serve our best interests and the best interests of our shareholders.

***Gregory H. Boyce***

Mr. Boyce, age 57, has been a director since March 2005. Mr. Boyce was named Chief Executive Officer Elect of the Company in March 2005, assumed the position of Chief Executive Officer in January 2006 and was elected Chairman by the Board of Directors in October 2007. He was President of the Company from October 2003 to December 2007 and was Chief Operating Officer of the Company from October 2003 to December 2005. He previously served as Chief Executive Energy of Rio

**Table of Contents**

Tinto plc (an international natural resource company) from 2000 to 2003. Other prior positions include President and Chief Executive Officer of Kennecott Energy Company from 1994 to 1999 and President of Kennecott Minerals Company from 1993 to 1994. He has extensive engineering and operating experience with Kennecott and also served as Executive Assistant to the Vice Chairman of Standard Oil of Ohio from 1983 to 1984. Mr. Boyce serves on the board of directors of Marathon Oil Corporation. He is Chairman of the National Mining Association and Vice Chairman of the Coal Industry Advisory Board of the International Energy Agency. Mr. Boyce is a member of the National Coal Council; The Business Council; Business Roundtable; the Board of Trustees of St. Louis Children's Hospital; the Board of Trustees of Washington University in St. Louis; and the Advisory Council of the University of Arizona's Department of Mining and Geological Engineering. Mr. Boyce's extensive experience in the global energy and mining industries, combined with his drive for innovation and excellence, make him highly qualified to serve as our Chairman and Chief Executive Officer.

***William A. Coley***

Mr. Coley, age 68, has been a director since March 2004. From March 2005 to July 2009, Mr. Coley served as Chief Executive Officer and Director of British Energy Group plc, the United Kingdom's largest electricity producer. He was previously a non-executive director of British Energy. Mr. Coley served as President of Duke Power, the U.S.-based global energy company, from 1997 until his retirement in February 2003. During his 37-year career at Duke Power, Mr. Coley held various officer level positions in the engineering, operations and senior management areas, including Vice President, Operations (1984-1986), Vice President, Central Division (1986-1988), Senior Vice President, Power Delivery (1988-1990), Senior Vice President, Customer Operations (1990-1991), Executive Vice President, Customer Group (1991-1994) and President, Associated Enterprises Group (1994-1997). Mr. Coley was elected to the board of Duke Power in 1990 and was named President following Duke Power's acquisition of PanEnergy in 1997. Mr. Coley earned his B.S. in electrical engineering from Georgia Institute of Technology and is a registered professional engineer. He is also a director of E. R. Jahna Enterprises. Mr. Coley previously served as a director of British Energy Group plc, CT Communications, Inc. and SouthTrust Bank. Mr. Coley's executive management and energy industry experience, together with his service on other public company boards of directors, make him a valued advisor and highly qualified to serve as a member of the Board and its Executive Committee and as Chairman of its Compensation Committee.

***William E. James***

Mr. James, age 66, has been a director since July 2001. Since July 2000, Mr. James has been co-founder and Managing General Partner of RockPort Capital Partners LLC, a venture capital fund specializing in energy and power, advanced materials, process and prevention technologies, transportation and green building technologies. Prior to joining RockPort, Mr. James co-founded and served as Chairman and Chief Executive Officer of Citizens Power LLC, the nation's first and a leading power marketer. He also co-founded the non-profit Citizens Energy Corporation and served as the Chairman and Chief Executive Officer of Citizens Corporation, its for-profit holding company, from 1987 to 1996. Mr. James is also a director of Ener1, Inc. and Micro Seismic Inc. Mr. James' executive management and energy industry experience, together with his service on other public company boards of directors, make him a valued advisor and highly qualified to serve as a member of the Board and its Compensation and Nominating and Corporate Governance Committees.

***Robert B. Karn III***

Mr. Karn, age 70, has been a director since January 2003. Mr. Karn is a financial consultant and former managing partner in financial and economic consulting with Arthur Andersen LLP in St. Louis.



## **Table of Contents**

Before retiring from Arthur Andersen in 1998, Mr. Karn served in a variety of accounting, audit and financial roles over a 33-year career, including Managing Partner in charge of the global coal mining practice from 1981 through 1998. He is a Certified Public Accountant and has served as a Panel Arbitrator with the American Arbitration Association. Mr. Karn is also a director of Natural Resource Partners L.P., a master limited partnership that is listed on the NYSE, Kennedy Capital Management, Inc. and numerous NYSE-listed closed-end mutual and exchange traded funds under the Guggenheim Financial Family of Funds. He previously served as a director of the Fiduciary/Claymore Dynamic Equity Fund. Mr. Karn's extensive experience in accounting, auditing and financial matters, together with his service on other boards of directors, make him a valued advisor and highly qualified to serve as a member of the Board and its Audit and Compensation Committees.

### ***M. Frances Keeth***

Mrs. Keeth, age 65, has been a director since March 2009. She was Executive Vice President of Royal Dutch Shell, plc, and Chief Executive Officer and President of Shell Chemicals Limited, a services company responsible for Royal Dutch Shell's global petrochemical businesses, from January 2005 to December 2006. She served as Executive Vice President of Customer Fulfillment and Product Business Units for Shell Chemicals Limited from July 2001 to January 2005 and was President and Chief Executive Officer of Shell Chemical LP, a U.S. petrochemical member of the Royal Dutch/Shell Group, from July 2001 to July 2006. Mrs. Keeth also serves as a director of Verizon Communications Inc. and Arrow Electronics Inc. She has been a member of the Advisory Board of the Bauer Business School, University of Houston, since 2002. Mrs. Keeth's executive management and energy industry experience, together with her service on other public company boards of directors, make her a valued advisor and highly qualified to serve as a member of the Board and its Compensation and Health, Safety, Security and Environmental Committees.

### ***Henry E. Lentz***

Mr. Lentz, age 67, has been a director since February 1998. Mr. Lentz served as a Managing Director of Lazard Frères & Co, an investment banking firm, from June 2009 to May 2011. He was a Managing Director of Barclays Capital, an investment banking firm and successor to Lehman Brothers Inc., an investment banking firm (Lehman Brothers), from September 2008 to June 2009. From January 2004 to September 2008 he was employed as an Advisory Director by Lehman Brothers. He joined Lehman Brothers in 1971 and became a Managing Director in 1976. He left the firm in 1988 to become Vice Chairman of Wasserstein Perella Group, Inc., an investment banking firm. In 1993, he returned to Lehman Brothers as a Managing Director and served as head of the firm's worldwide energy practice. In 1996, he joined Lehman Brothers Merchant Banking Group as a Principal and in January 2003 became a consultant to the Merchant Banking Group. Mr. Lentz is also the non-executive Chairman of Rowan Companies, Inc. and a director of CARBO Ceramics, Inc., Macquarie Infrastructure Company and WPX Energy, Inc. Mr. Lentz's experience in investment banking and financial matters, together with his experience in serving on other public company boards of directors, make him a valued advisor and highly qualified to serve as a member of the Board and its Nominating and Corporate Governance and Executive Committees.

### ***Robert A. Malone***

Mr. Malone, age 60, has been a director since July 2009. Mr. Malone was elected as President and Chief Executive Officer of the First National Bank of Sonora, Texas in October 2009. He is a Retired Executive Vice President of BP plc and the Retired Chairman of the Board and President of BP America Inc., at the time the largest producer of oil and natural gas and the second largest gasoline retailer in

## **Table of Contents**

the U.S. He served in that position from 2006 to 2009. Mr. Malone previously served as Chief Executive Officer of BP Shipping Limited from 2002 to 2006, as Regional President Western United States, BP America Inc. from 2000 to 2002 and as President, Chief Executive Officer and Chief Operating Officer, Alyeska Pipeline Service Company from 1996 to 2000. He is also a director of Halliburton Company, the First National Bank of Sonora and INTERA Incorporated. Mr. Malone's executive operating experience, including crisis management and safety performance, and energy industry experience, together with his service on another public company board of directors, make him a valued advisor and highly qualified to serve as a member of the Board and its Compensation Committee and as Chairman of its Health, Safety, Security and Environmental Committee.

### ***William C. Rusnack***

Mr. Rusnack, age 67, has been a director since January 2002. Mr. Rusnack is the former President and Chief Executive Officer of Premcor Inc., one of the largest independent oil refiners in the U.S. prior to its acquisition by Valero Energy Corporation in 2005. He served as President, Chief Executive Officer and Director of Premcor from 1998 to February 2002. Prior to joining Premcor, Mr. Rusnack was President of ARCO Products Company, the refining and marketing division of Atlantic Richfield Company. During a 31-year career at ARCO, he was also President of ARCO Transportation Company and Vice President of Corporate Planning. He is also a director of Sempra Energy, Flowserve Corporation and Solutia Inc. Mr. Rusnack's executive management and energy industry experience, together with his service on other public company boards of directors, make him a valued advisor and highly qualified to serve as a member of the Board and its Executive Committee and as Chairman of its Audit Committee.

### ***John F. Turner***

Mr. Turner, age 70, has been a director since July 2005. Mr. Turner served as Assistant Secretary of State for the Bureau of Oceans and International Environmental and Scientific Affairs from November 2001 to July 2005. Mr. Turner was previously President and Chief Executive Officer of The Conservation Fund, a national nonprofit organization dedicated to public-private partnerships to protect land and water resources. He was director of the U.S. Fish and Wildlife Service from 1989 to 1993. Mr. Turner also served in the Wyoming state legislature for 19 years and is a past president of the Wyoming State Senate. He serves as a consultant to The Conservation Fund. Mr. Turner also serves as Chairman of the University of Wyoming, Ruckelshaus Institute of Environment and Natural Resources. He is also a director of International Paper Company, American Electric Power Company, Inc. and Ashland, Inc. Mr. Turner's extensive experience in international, environmental, regulatory and governmental affairs and public policy, together with his service on other public company boards of directors, make him a valued advisor and highly qualified to serve as a member of the Board and its Health, Safety, Security and Environmental and Nominating and Corporate Governance Committees.

### ***Sandra A. Van Trease***

Ms. Van Trease, age 51, has been a director since January 2003. Ms. Van Trease is Group President, BJC HealthCare, a position she has held since September 2004. BJC HealthCare is one of the nation's largest nonprofit healthcare organizations, delivering services to residents in the greater St. Louis, southern Illinois and mid-Missouri regions. Prior to joining BJC HealthCare, Ms. Van Trease served as President and Chief Executive Officer of UNICARE, an operating affiliate of WellPoint Health Networks Inc., from 2002 to September 2004. Ms. Van Trease also served as President, Chief Financial Officer and Chief Operating Officer of RightCHOICE Managed Care, Inc. from 2000 to 2002 and as Executive Vice President, Chief Financial Officer and Chief Operating Officer from 1997 to 2000. Prior to joining RightCHOICE in 1994, she was a Senior Audit Manager with Price

## **Table of Contents**

Waterhouse LLP. She is a Certified Public Accountant and Certified Management Accountant. Ms. Van Trease is also a director of Enterprise Financial Services Corporation. Ms. Van Trease's executive management, health care and accounting experience, together with her experience in serving on another public company board of directors, make her a valued advisor and highly qualified to serve as a member of the Board and its Audit, Health, Safety, Security and Environmental and Nominating and Corporate Governance Committees.

### ***Alan H. Washkowitz***

Mr. Washkowitz, age 71, has been a director since May 1998. Until July 2005, Mr. Washkowitz was a Managing Director of Lehman Brothers and part of the firm's Merchant Banking Group, responsible for oversight of Lehman Brothers Merchant Banking Partners. He joined Kuhn Loeb & Co. in 1968 and became a general partner of Lehman Brothers in 1978 when it acquired Kuhn Loeb & Co. Prior to joining the Merchant Banking Group, he headed Lehman Brothers' Financial Restructuring Group. Mr. Washkowitz is also a director of L-3 Communications Corporation. Mr. Washkowitz's experience in investment banking and financial matters, together with his experience in serving on other public company boards of directors, make him a valued advisor and highly qualified to serve as a member of the Board and its Audit Committee and as Chairman of its Nominating and Corporate Governance Committee.

## **INFORMATION REGARDING BOARD OF DIRECTORS AND COMMITTEES**

### **Director Independence**

As required by the rules of the NYSE, the Board of Directors evaluates the independence of its members at least annually, and at other appropriate times when a change in circumstances could potentially impact the independence or effectiveness of one or more directors (e.g., in connection with a change in employment status or other significant status changes). This process is administered by the Nominating and Corporate Governance Committee, which consists entirely of directors who are independent under applicable NYSE rules. After carefully considering all relevant relationships with us, the Nominating and Corporate Governance Committee submits its recommendations regarding independence to the full Board, which then makes a determination with respect to each director.

In making independence determinations, the Nominating and Corporate Governance Committee and the Board consider all relevant facts and circumstances, including (1) the nature of any relationships with us, (2) the significance of the relationship to us, the other organization and the individual director, (3) whether or not the relationship is solely a business relationship in the ordinary course of our and the other organization's businesses and does not afford the director any special benefits, and (4) any commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships. For purposes of this determination, the Board deems any relationships that have expired for more than three years to be immaterial.

After considering the standards for independence adopted by the NYSE and various other factors as described herein, the Board has determined that all directors other than Mr. Boyce are independent. None of the directors other than Mr. Boyce receives any compensation from us other than customary director and committee fees.

Mr. Rusnack, Mr. Turner and Ms. Van Trease and/or their immediate family members serve as directors, officers or trustees of charitable organizations to which we made contributions in the normal course of our charitable contributions program. After careful consideration, the Board determined that these contributions do not impair, or appear to impair, the independent judgment of these directors.

## **Table of Contents**

Mr. Turner currently serves as a member of the board of directors of American Electric Power, Inc. which is one of our customers. After careful consideration, the Board has determined that this relationship does not impair, or appear to impair, Mr. Turner's independent judgment.

From June 2009 to May 2011, Mr. Lentz served as a Managing Director of Lazard Frères & Co, which does not currently provide any commercial or investment banking services to us. Lazard's only business relationship with us is as the manager of one of the 35 mutual fund options in our 401(k) plans. After careful consideration, the Board has determined that the relationship with Lazard Frères & Co does not impair, or appear to impair, the independent judgment of Mr. Lentz.

### **Board Attendance and Executive Sessions**

The Board of Directors met nine times in 2011. During that period, each incumbent director attended 75% or more of the aggregate number of meetings of the Board and the committees on which he or she served, and average attendance was 97%. Pursuant to our Corporate Governance Guidelines, the non-management directors meet in executive session at least quarterly. The chair of each executive session rotates among the chairs of the Audit Committee, Compensation Committee, Health, Safety, Security and Environmental Committee and Nominating and Corporate Governance Committee. During 2011, our non-management directors met in executive session three times.

Pursuant to Board policy, each director is expected to attend the Annual Meeting in person, subject to occasional excused absences due to illness or unavoidable conflicts. Each of our incumbent directors attended the last Annual Meeting of Shareholders in May 2011.

### **Director Orientation and Continuing Education**

Our Corporate Governance Guidelines require that each new director participate in a director orientation program which includes presentations by senior management to familiarize the new director with our strategic plans, our significant financial, accounting and risk management issues, our compliance program, our Code of Business Conduct and Ethics, our principal officers and our internal and independent auditors.

On an ongoing basis, our directors receive continuing education through presentations at Board meetings as well as regular visits to our significant mining operations. In addition, directors are required to attend an approved director education program at least once every three years.

### **Board Leadership Structure**

Our bylaws and Corporate Governance Guidelines permit the roles of Chairman and Chief Executive Officer to be filled by different individuals. The Board of Directors deliberates and decides, each time it selects a Chief Executive Officer, whether the roles should be combined or separate, based upon our needs at that time. Mr. Boyce has led our Company as Chief Executive Officer since January 2006, and was appointed to the additional role of Chairman in October 2007. The Board believes that Mr. Boyce's management of our complex operations on a day-to-day basis provides him with first-hand knowledge of the opportunities and challenges facing us, which, together with his qualifications and experience, position him to best lead productive discussions of the Board and help ensure effective risk oversight for the Company. The Board believes that we and our shareholders remain best served by having Mr. Boyce assume the responsibilities of Chairman in addition to his responsibilities as Chief Executive Officer.

## **Table of Contents**

Our Board leadership structure provides for strong oversight by independent directors. The Board is comprised of Mr. Boyce and ten independent directors. With the exception of the Executive Committee, which is chaired by Mr. Boyce, each of the standing committees of the Board is chaired by an independent director, and the Audit, Compensation, Health, Safety, Security and Environmental and Nominating and Corporate Governance Committees of the Board consist entirely of independent directors. The Board believes that the candor and objectivity of the Board's deliberations are not affected by whether its Chairman is independent or a member of management. In addition, the Board believes that the strength of our corporate governance structure is such that the combination of the roles of Chairman and Chief Executive Officer does not in any way limit the Board's oversight of our Chief Executive Officer, and that it is unnecessary for the Board to designate a lead independent director.

### **Role of the Board in Risk Oversight**

The Board of Directors oversees an enterprise-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, to enhance long-term organizational performance and shareholder value. A fundamental part of risk management is not only understanding the risks we face, how those risks may evolve over time, and what steps management is taking to manage and mitigate those risks, but also understanding what level of risk tolerance is appropriate for us. Management is responsible for the day-to-day management of the risks we face, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. The Board regularly reviews information regarding marketing, operations, safety performance, trading, finance and business development as well as the risks associated with each. In addition, the Board holds strategic planning sessions with management to discuss our strategies, key challenges, and risks and opportunities. The full Board receives reports on our enterprise risk management initiatives on at least an annual basis.

While the Board is ultimately responsible for risk oversight, committees of the Board also have been allocated responsibility for specific aspects of risk oversight. In particular, the Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to risk management in the areas of financial reporting, internal controls, risk assessment and risk management. The Compensation Committee assists the Board in fulfilling its oversight responsibilities with respect to the risks arising from our compensation policies and programs. The Health, Safety, Security and Environmental Committee assists the Board in fulfilling its oversight responsibilities with respect to the risks associated with our health, safety, security and environmental objectives, policies and performance. The Nominating and Corporate Governance Committee assists the Board in fulfilling its oversight responsibilities with respect to the risks associated with board organization, membership and structure, ethics and compliance, succession planning for our directors and executive officers, and corporate governance.

### **Committees of the Board of Directors**

The Board of Directors has appointed five standing committees from among its members to assist it in carrying out its obligations. These committees are the Audit Committee, Compensation Committee, Executive Committee, Health, Safety, Security and Environmental Committee, and Nominating & Corporate Governance Committee. Each standing committee has adopted a formal charter that describes in more detail its purpose, organizational structure and responsibilities. A copy of each committee charter can be found on our website ([www.peabodyenergy.com](http://www.peabodyenergy.com)) by clicking on Investors,

**Table of Contents**

and then Corporate Governance. Information on our website is not considered part of this Proxy Statement. A description of each committee and its current membership follows:

***Audit Committee***

The members of the Audit Committee are William C. Rusnack (Chair), Robert B. Karn III, Sandra A. Van Trease and Alan H. Washkowitz. The Board of Directors has affirmatively determined that, in its judgment, all members of the Audit Committee are independent under NYSE and SEC rules. The Board also has determined that each of Messrs. Rusnack, Karn and Washkowitz and Ms. Van Trease is an audit committee financial expert under SEC rules.

The Audit Committee met nine times during 2011. The Audit Committee's primary purpose is to provide assistance to the Board in fulfilling its oversight responsibility with respect to:

The quality and integrity of our financial statements and financial reporting processes;

Our systems of internal accounting and financial controls and disclosure controls;

The independent registered public accounting firm's qualifications and independence;

The performance of our internal audit function and independent registered public accounting firm; and

Compliance with legal and regulatory requirements, and codes of conduct and ethics programs established by management and the Board.

Some of the primary responsibilities of the Audit Committee include the following:

To appoint our independent registered public accounting firm, which reports directly to the Audit Committee;

To approve all audit engagement fees and terms and all permissible non-audit engagements with our independent registered public accounting firm;

To ensure that we maintain an internal audit function and to review the appointment of the senior internal audit team and/or provider;

To approve the terms of engagement for the internal audit provider;

To meet on a regular basis with our financial management, internal audit management and independent registered public accounting firm to review matters relating to our internal accounting controls, internal audit program, accounting practices and procedures, the scope and procedures of the outside audit, the independence of the independent registered public accounting firm and other matters relating to our financial condition;

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To oversee our financial reporting process and to review in advance of filing or issuance our quarterly reports on Form 10-Q, annual reports on Form 10-K, annual reports to shareholders, proxy materials and earnings press releases;

To review our guidelines and policies with respect to risk assessment and risk management, and our major financial risk exposures and steps management has taken to monitor and control such exposures; and

To make regular reports on its activities to the Board.

## **Table of Contents**

### ***Compensation Committee***

The members of the Compensation Committee are William A. Coley (Chair), William E. James, Robert B. Karn III, M. Frances Keeth and Robert A. Malone. The Board of Directors has affirmatively determined that, in its judgment, all members of the Compensation Committee are independent under rules established by the NYSE.

The Compensation Committee met seven times during 2011. Some of the primary responsibilities of the Compensation Committee include the following:

To annually review and approve corporate goals and objectives relevant to compensation of our Chairman and Chief Executive Officer ( CEO ), initiate the evaluation by the Board of the CEO 's performance in light of those goals and objectives, and together with the other independent members of the Board, determine and approve the CEO 's compensation levels based on this evaluation;

To annually review with the CEO the performance of our executive officers and make recommendations to the Board with respect to the compensation plans for such officers;

To annually review and approve the CEO 's and the executive officers' base salary, annual incentive opportunity and long-term incentive opportunity, stock ownership requirements and, as appropriate, employment agreements, severance arrangements, retirement and other post-employment benefits, change in control provisions and any special supplemental benefits;

To approve annual incentive awards for executive officers other than the CEO;

To oversee our annual and long-term incentive programs;

To periodically assess our director compensation program and stock ownership requirements and, when appropriate, recommend modifications for Board consideration; and

To make regular reports on its activities to the Board.

### ***Executive Committee***

The members of the Executive Committee are Gregory H. Boyce (Chair), William A. Coley, Henry E. Lentz and William C. Rusnack. The Executive Committee met twice during 2011.

When the Board of Directors is not in session, the Executive Committee has all of the power and authority as delegated by the Board, except with respect to:

Amending our certificate of incorporation and bylaws;

Adopting an agreement of merger or consolidation;



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Recommending to shareholders the sale, lease or exchange of all or substantially all of our property and assets;

Recommending to shareholders dissolution of the Company or revocation of any dissolution;

Declaring a dividend;

Issuing stock;

Filling vacancies on the Board;

Appointing members of Board committees; and

Changing major lines of business.

**Table of Contents**

***Health, Safety, Security and Environmental Committee***

The members of the Health, Safety, Security and Environmental Committee are Robert A. Malone (Chair), M. Frances Keeth, John F. Turner and Sandra A. Van Trease. The Board of Directors has affirmatively determined that, in its judgment, all members of the Health, Safety, Security and Environmental Committee are independent under NYSE rules.

The Health, Safety, Security and Environmental Committee met seven times during 2011. Some of the primary responsibilities of the Health, Safety, Security and Environmental Committee include the following:

Review with management our significant risks or exposures in the health, safety, security and environmental areas, and steps taken by management to address such risks;

Review our health, safety, security and environmental objectives, policies and performance, including processes to ensure compliance with applicable laws and regulations;

Review our efforts to advance our progress on sustainable development;

Review and discuss with management any material noncompliance with health, safety, security and environmental laws, and management's response to such noncompliance;

Review and recommend approval of the environmental and mine safety disclosures required to be included in our periodic reports on Forms 10-K and 10-Q;

Consider and advise the Board on health, safety, security and environmental matters and sustainable development;

Consider and advise the Compensation Committee on our performance with respect to incentive compensation metrics relating to health, safety, security or environmental matters;

Review and discuss significant legislative, regulatory, political and social issues and trends that may affect our health, safety, security and environmental management process and system and management's response to such matters; and

To make regular reports on its activities to the Board.

***Nominating and Corporate Governance Committee***

The members of the Nominating and Corporate Governance Committee are Alan H. Washkowitz (Chair), William E. James, Henry E. Lentz, John F. Turner and Sandra A. Van Trease. The Board of Directors has affirmatively determined that, in its judgment, all members of the Nominating and Corporate Governance Committee are independent under NYSE rules.

The Nominating and Corporate Governance Committee met six times during 2011. Some of the primary responsibilities of the Nominating and Corporate Governance Committee include the following:

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To identify, evaluate and recommend qualified candidates for election to the Board;

To advise the Board on matters related to corporate governance;

To assist the Board in conducting its annual assessment of Board performance;

To recommend the structure, composition and responsibilities of other Board committees;

To advise the Board on matters related to corporate social responsibility (e.g., equal employment, corporate contributions and lobbying);

**Table of Contents**

To ensure we maintain an effective orientation program for new directors and a continuing education and development program to supplement the skills and needs of the Board;

To provide review and oversight of potential conflicts of interest situations, including transactions in which any related person had or will have a direct or indirect material interest;

To review our policies and procedures with respect to related person transactions at least annually and recommend any changes for Board approval;

To monitor compliance with, and advise the Board regarding any significant issues arising under, our corporate compliance program and Code of Business Conduct and Ethics;

To review and make recommendations to the Board in conjunction with the CEO, as appropriate, with respect to executive officer succession planning and management development; and

To make regular reports on its activities to the Board.

**Table of Contents**

**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee has reviewed and discussed the Company's audited financial statements and management's report on internal control over financial reporting as of and for the fiscal year ended December 31, 2011 with management and Ernst & Young LLP, the Company's independent registered public accounting firm. Management is responsible for the Company's financial statements and internal control over financial reporting, while Ernst & Young is responsible for conducting its audit in accordance with the standards of the Public Company Accounting Oversight Board (United States) and expressing opinions on the Company's financial statements in accordance with U.S. generally accepted accounting principles and the Company's internal control over financial reporting.

The Audit Committee reviewed with Ernst & Young the overall scope and plans for their audit of the Company's financial statements and internal control over financial reporting. The Audit Committee also discussed with Ernst & Young matters relating to the quality and acceptability of the Company's accounting principles, as applied in its financial reporting processes, as required by Statement of Auditing Standards No. 61 as amended (AICPA, *Professional Standards*, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. In addition, the Audit Committee has received the written disclosures and letter from Ernst & Young required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with Ernst & Young its independence from management and the Company. As part of its review, the Audit Committee reviewed fees paid to Ernst & Young and considered whether Ernst & Young's performance of non-audit services for the Company was compatible with the auditor's independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 for filing with the Securities and Exchange Commission.

**MEMBERS OF THE AUDIT COMMITTEE:**

WILLIAM C. RUSNACK, CHAIR

ROBERT B. KARN III

SANDRA A. VAN TREASE

ALAN H. WASHKOWITZ

**Table of Contents**

**FEES PAID TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Ernst & Young LLP served as our independent registered public accounting firm for the fiscal years ended December 31, 2011 and 2010.

The following fees were paid to Ernst & Young for services rendered during our last two fiscal years:

*Audit Fees:* \$4,108,000 (for the fiscal year ended December 31, 2011) and \$3,568,000 (for the fiscal year ended December 31, 2010) for fees associated with the annual audit of our consolidated financial statements, including the audit of internal control over financial reporting, the reviews of our quarterly reports on Form 10-Q, services provided in connection with statutory and regulatory filings, assistance with and review of documents filed with the SEC, and accounting and financial reporting consultations.

*Audit-Related Fees:* \$744,000 (for the fiscal year ended December 31, 2011) and \$954,000 (for the fiscal year ended December 31, 2010) for assurance-related services for audits of employee benefit plans, internal control reviews, due diligence services associated with acquisitions or divestitures, and other attest services not required by statute.

*Tax Fees:* \$1,160,000 (for the fiscal year ended December 31, 2011) and \$608,000 (for the fiscal year ended December 31, 2010) for tax compliance, tax advice and tax planning services.

*All Other Fees:* \$2,000 (for the fiscal year ended December 31, 2011) and \$2,000 (for the fiscal year ended December 31, 2010) for fees related to an on-line research tool.

Under procedures established by the Board of Directors, the Audit Committee is required to pre-approve all audit and non-audit services performed by our independent registered public accounting firm to ensure that the provisions of such services do not impair such firm's independence. The Audit Committee may delegate its pre-approval authority to one or more of its members, but not to management. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting.

Each fiscal year, the Audit Committee reviews with management and the independent registered public accounting firm the types of services that are likely to be required throughout the year. Those services are comprised of four categories, including audit services, audit-related services, tax services and all other permissible services. At that time, the Audit Committee pre-approves a list of specific services that may be provided within each of these categories, and sets fee limits for each specific service or project. Management is then authorized to engage the independent registered public accounting firm to perform the pre-approved services as needed throughout the year, subject to providing the Audit Committee with regular updates. The Audit Committee reviews the amount of all billings submitted by the independent registered public accounting firm on a regular basis to ensure that their services do not exceed pre-defined limits. The Audit Committee must review and approve in advance, on a case-by-case basis, all other projects, services and fees to be performed by or paid to the independent registered public accounting firm. The Audit Committee also must approve in advance any fees for pre-approved services that exceed the pre-established limits, as described above.

Under our policy and/or applicable rules and regulations, our independent registered public accounting firm is prohibited from providing the following types of services to us: (1) bookkeeping or other services related to our accounting records or financial statements, (2) financial information systems design and implementation, (3) appraisal or valuation services, fairness opinions or contribution-in-kind reports, (4) actuarial services, (5) internal audit outsourcing services, (6) management functions, (7) human resources, (8) broker-dealer, investment advisor or investment banking services, (9) legal services,

## **Table of Contents**

(10) expert services unrelated to audit, (11) any services entailing a contingent fee or commission (not including fees awarded by a bankruptcy court if we are in bankruptcy) and (12) tax services to one of our officers whose role is in a financial reporting oversight capacity (regardless of whether we or the officer pays the fee for the services).

During the fiscal year ended December 31, 2011, all of the services described under the headings Audit Fees, Audit-Related Fees, Tax Fees and All Other Fees were approved by the Audit Committee pursuant to the procedures described above.

## **CORPORATE GOVERNANCE MATTERS**

Good corporate governance is a priority at Peabody Energy. Our key governance practices are outlined in our Corporate Governance Guidelines, committee charters, and Code of Business Conduct and Ethics. These documents can be found on our Corporate Governance webpage ([www.peabodyenergy.com](http://www.peabodyenergy.com)) by clicking on Investors and then Corporate Governance. Information on our website is not considered part of this Proxy Statement. The Code of Business Conduct and Ethics applies to our directors, Chief Executive Officer, Chief Financial Officer, Controller and all salaried Company personnel.

The Nominating and Corporate Governance Committee is responsible for reviewing the Corporate Governance Guidelines from time to time and reporting and making recommendations to the Board concerning corporate governance matters. Each year, the Nominating and Corporate Governance Committee, with the assistance of outside experts, reviews our corporate governance practices, not only to ensure that they comply with applicable laws and NYSE listing requirements, but also to ensure that they continue to reflect what the Committee believes are best practices and promote our best interests and the best interests of our shareholders.

### **Majority Voting Bylaw**

In July 2007, the Board of Directors amended our bylaws to provide for majority voting in the election of directors. In the case of uncontested elections, in order to be elected the number of shares voted in favor of a nominee must exceed 50% of the number of votes cast with respect to that nominee's election at any meeting of shareholders for the election of directors at which a quorum is present. Votes cast include votes to withhold authority and exclude abstentions with respect to that nominee's election.

If a nominee is an incumbent director and receives a greater number of votes withheld from his or her election than votes in favor of his or her election, our Corporate Governance Guidelines require that such director promptly tender his or her resignation to the Chairman of the Board following certification of the shareholder vote. The Nominating and Corporate Governance Committee will promptly consider the resignation submitted by such director and will recommend to the Board whether to accept or reject the tendered resignation. In considering whether to accept or reject the tendered resignation, the Committee will consider all factors deemed relevant by its members. The Board will act on the Committee's recommendation no later than 90 days following the date of the shareholders' meeting where the election occurred. In considering the Committee's recommendation, the Board will consider the factors considered by the Committee and such additional information and factors the Board deems to be relevant. Any director who tenders his or her resignation pursuant to our Corporate Governance Guidelines will not participate in the Committee recommendation or Board consideration regarding whether or not to accept the tendered resignation.

In the case of contested elections, directors will be elected by a plurality of the votes of the shares present in person or by proxy and voting for nominees in the election of directors at any meeting of

## **Table of Contents**

shareholders for the election of directors at which a quorum is present. For these purposes, a contested election is any election of directors in which the number of candidates for election as directors exceeds the number of directors to be elected.

### **Communications with the Board of Directors**

The Board of Directors has adopted the following procedures for shareholders and other interested persons to send communications to the Board, individual directors and/or Committee Chairs (collectively, Shareholder Communications ).

Shareholders and other interested persons seeking to communicate with the Board should submit their written comments to the Chairman, Peabody Energy Corporation, Peabody Plaza, 701 Market Street, St. Louis, Missouri 63101. The Chairman will forward such Shareholder Communications to each Board member (excluding routine advertisements and business solicitations, as instructed by the Board), and provide a report on the disposition of matters stated in such communications at the next regular meeting of the Board. If a Shareholder Communication (excluding routine advertisements and business solicitations) is addressed to a specific individual director or Committee Chair, the Chairman will forward that communication to the named director, and will discuss with that director whether the full Board and/or one of its committees should address the subject matter.

If a Shareholder Communication raises concerns about the ethical conduct of management or the Company, it should be sent directly to our Chief Legal Officer at Peabody Energy Corporation, Peabody Plaza, 701 Market Street, St. Louis, Missouri 63101. The Chief Legal Officer will promptly forward a copy of such Shareholder Communication to the Chairman of the Audit Committee and, if appropriate, the Chairman of the Board, and take such actions as they authorize to ensure that the subject matter is addressed by the appropriate Board committee, management and/or the full Board.

If a shareholder or other interested person seeks to communicate exclusively with our non-management directors, individually or as a group, such Shareholder Communication should be sent directly to the Corporate Secretary who will forward any such communication directly to the Chair of the Nominating and Corporate Governance Committee. The Corporate Secretary will first consult with and receive the approval of the Chair of the Nominating and Corporate Governance Committee before disclosing or otherwise discussing the communication with members of management or directors who are members of management.

At the direction of the Board, we reserve the right to screen all materials sent to our directors for potential security risks and/or harassment.

At our Annual Meeting, shareholders also have an opportunity to communicate with the Board, individual directors or Committee chairs.

### **Overview of Director Nominating Process**

The Board of Directors believes that one of its primary goals is to advise management on strategy and to monitor our performance. The Board also believes that the best way to accomplish this goal is by choosing directors who possess a diversity of experience, knowledge and skills that are particularly relevant and helpful to us. As such, current Board members possess a wide array of skills and experience in the coal industry, related energy industries and other important areas, including finance and accounting, operations, environmental affairs, international affairs, governmental affairs and administration, public policy, healthcare, corporate governance, board service and executive management. When evaluating potential members, the Board seeks to enlist the services of candidates who possess high ethical standards and a combination of skills and experience which the Board determines are the



**Table of Contents**

most appropriate to meet its objectives. The Board believes all candidates should be committed to creating value over the long term and to serving our best interests and the best interests of our shareholders.

The Nominating and Corporate Governance Committee is responsible for identifying, evaluating and recommending qualified candidates for election to the Board. The Committee will consider director candidates submitted by shareholders. Any shareholder wishing to submit a candidate for consideration should send the following information to the Corporate Secretary, Peabody Energy Corporation, Peabody Plaza, 701 Market Street, St. Louis, Missouri 63101:

Shareholder's name, number of shares owned, length of period held and proof of ownership;

Name, age and address of candidate;

A detailed resume describing among other things the candidate's educational background, occupation, employment history and material outside commitments (*e.g.*, memberships on other boards and committees, charitable foundations, etc.);

A supporting statement which describes the candidate's reasons for seeking election to the Board, and documents the candidate's ability to satisfy the director qualifications described below;

A description of any arrangements or understandings between the shareholder and the candidate; and

A signed statement from the candidate confirming his/her willingness to serve on the Board.

The Corporate Secretary will promptly forward such materials to the Committee Chair and the Chairman of the Board. The Corporate Secretary also will maintain copies of such materials for future reference by the Committee when filling Board positions.

Shareholders may submit potential director candidates at any time pursuant to these procedures. The Committee will consider such candidates if a vacancy arises or if the Board decides to expand its membership, and at such other times as the Committee deems necessary or appropriate. Separate procedures apply if a shareholder wishes to nominate a director candidate at the 2013 Annual Meeting. Those procedures are described on page 62 under the heading "Information About Shareholder Proposals."

Pursuant to its charter, the Committee must review with the Board, at least annually, the requisite qualifications, independence, skills and characteristics of Board candidates, members and the Board as a whole. When assessing potential new directors, the Committee considers individuals from various and diverse backgrounds. While the selection of qualified directors is a complex and subjective process that requires consideration of many intangible factors, the Committee believes that candidates should generally meet the criteria listed on page 6 under the heading "Director Qualifications."

While the Board does not have a formal policy of considering diversity when evaluating director candidates, the Board does believe that its members should reflect diversity in professional experience, geographic origin, gender and ethnic background. These factors, together with the director qualifications criteria noted above, are taken into account by the Committee in assessing potential new directors.

The Committee will consider candidates submitted by a variety of sources (including, without limit, incumbent directors, shareholders, management and third-party search firms) when filling vacancies and/or expanding the Board. If a vacancy arises or the Board decides to expand its membership, the Committee generally asks each director to submit a list of potential candidates for consideration. The Committee then evaluates each potential candidate's educational background, employment

**Table of Contents**

history, outside commitments and other relevant factors to determine whether he/she is potentially qualified to serve on the Board. At that time, the Committee also will consider potential nominees submitted by shareholders in accordance with the procedures described above. The Committee seeks to identify and recruit the best available candidates, and it intends to evaluate qualified shareholder nominees on the same basis as those submitted by Board members or other sources.

After completing this process, the Committee will determine whether one or more candidates are sufficiently qualified to warrant further investigation. If the process yields one or more desirable candidates, the Committee will rank them by order of preference, depending on their respective qualifications and our needs. The Committee Chair, or another director designated by the Committee Chair, will then contact the preferred candidate(s) to evaluate their potential interest and to set up interviews with members of the Committee. All such interviews are held in person, and include only the candidate and the independent Committee members. Based upon interview results and appropriate background checks, the Committee then decides whether it will recommend the candidate's nomination to the full Board.

The Committee believes this process has consistently produced highly qualified, independent Board members to date. However, the Committee may choose, from time to time, to use additional resources (including independent third-party search firms) after determining that such resources could enhance a particular director search.

**Table of Contents****OWNERSHIP OF COMPANY SECURITIES**

The following table sets forth information as of March 1, 2012 with respect to persons or entities who are known to beneficially own more than 5% of our outstanding Common Stock, each director, each executive officer named in the Summary Compensation Table below, and all directors and executive officers as a group.

**Beneficial Owners of More Than Five Percent, Directors and Management**

Name and Address of Beneficial Owner <sup>(1)</sup>	Amount and Nature	
	of Beneficial Ownership <sup>(2)(3)(4)</sup>	Percent of Class <sup>(5)</sup>
BlackRock, Inc. <sup>(6)</sup> 40 East 52nd Street  New York, NY 10022	29,930,987	11.0%
T. Rowe Price Associates <sup>(7)</sup> 100 E. Pratt Street  Baltimore, MD 21202	25,783,604	9.5%
Gregory H. Boyce	864,725	*
William A. Coley	17,467	*
Michael C. Crews	109,842	*
Eric Ford	313,858	*
Jeane L. Hull	44,698	*
William E. James	33,533	*
Robert B. Karn III	26,275	*
M. Frances Keeth	0	*
Henry E. Lentz	16,967	*
Robert A. Malone	0	*
Richard A. Navarre	360,749	*
William C. Rusnack	33,922	*
John F. Turner	15,691	*
Sandra A. Van Trease	26,129	*
Alan H. Washkowitz	27,258	*
All directors and executive officers as a group (17 people)	2,099,764	*

(1) The address for all officers and directors listed is c/o Peabody Energy Corporation, Peabody Plaza, 701 Market Street, St. Louis, Missouri 63101.

(2) Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect to shares. Unless otherwise indicated, the persons named in the table have sole voting and dispositive power with respect to all shares beneficially owned.

(3) Includes shares issuable pursuant to stock options exercisable within 60 days after March 1, 2012, as follows: Mr. Boyce, 653,564; Mr. Coley, 7,521; Mr. Crews, 19,962; Mr. Ford, 148,284; Ms. Hull, 6,379; Mr. James, 12,046; Mr. Karn, 12,046; Mr. Lentz, 7,521; Mr. Navarre, 105,885; Mr. Rusnack, 19,641; Mr. Turner, 7,413; Ms. Van Trease, 7,521; Mr. Washkowitz, 16,377; and all directors and executive officers as a group, 1,111,322. Also includes restricted shares that remain unvested as of March 1, 2012 as follows: Mr. Crews, 41,356; Mr. Ford, 74,195; Ms. Hull, 13,104; Mr. Navarre, 41,356; and all directors and executive officers as a group, 170,011.

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- (4) Excludes deferred stock units held by our non-employee directors as of March 1, 2012, as follows: Mr. Coley, 13,910; Mr. James, 7,324; Mr. Karn, 11,907; Mrs. Keeth, 11,729; Mr. Lentz, 8,759; Mr. Malone, 8,686; Mr. Rusnack, 7,324; Mr. Turner, 7,324; Ms. Van Trease, 10,677; Mr. Washkowitz, 7,324; and all directors and executive officers as a group, 94,964.
- (5) Applicable percentage ownership is based on 272,259,729 shares of Common Stock outstanding at March 1, 2012. An asterisk (\*) indicates that the applicable person beneficially owns less than one percent of the outstanding shares.
- (6) This information is based on a Schedule 13G/A filed with the SEC on January 10, 2012 by BlackRock, Inc., in which it reported sole voting and dispositive power as to 29,930,987 shares as of December 31, 2011.
- (7) This information is based on a Schedule 13G/A filed with the SEC on February 10, 2012 by T. Rowe Price Associates in which it reported sole voting power as to 8,550,100 shares and sole dispositive power as to 25,783,604 shares as of December 31, 2011.

## **Table of Contents**

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Our officers and directors and persons beneficially holding more than ten percent of our Common Stock are required under the Securities Exchange Act of 1934, as amended, to file reports of ownership and changes in ownership of our Common Stock with the SEC and the NYSE. We file these reports of ownership and changes in ownership on behalf of our officers and directors.

To the best of our knowledge, based solely on our review of the copies of such reports furnished to us during the fiscal year ended December 31, 2011, filings with the SEC and written representations from certain reporting persons that no additional reports were required, all required reports were timely filed for such fiscal year except that, due to an administrative error by our staff, Mr. Crews was late in filing a Form 4 to report the exercise of a stock option. We also discovered that Mr. Navarre failed to file a Form 5 to report a transfer of stock to a family trust in 2010. The required reports were promptly filed when the errors were discovered.

### **COMPENSATION DISCUSSION AND ANALYSIS**

#### ***Executive Summary***

##### ***2011 Safety, Operating and Financial Results***

In 2011, we delivered the safest performance, largest acquisition and strongest financial results in our 129-year history. With new records set for safety, revenues, EBITDA and EPS, we also completed a series of strategic actions that set the stage for long-term growth, including the purchase of Macarthur Coal Limited, the world's leading seaborne supplier of low-volatile pulverized coal injection product. Key accomplishments in 2011 included:

Improvement of our global incidence rate by 30 percent to 1.92 (excluding Macarthur) per 200,000 hours worked. In addition, the company has earned recognition for safety, environmental and social responsibility, achieving 40 major honors around the world;

Record revenues of \$7.97 billion, an 18% increase led by higher pricing realizations across our global platform and increased volumes in the US;

Adjusted EBITDA (as defined below) of \$2.13 billion, a 16% increase over 2010, accompanied by record operating cash flow of \$1.63 billion; and,

Diluted earnings per share from continuing operations of \$3.76, a 28% increase over 2010.

Adjusted EBITDA is defined as income from continuing operations before deducting net interest expense, income taxes, asset retirement obligation expense and depreciation, depletion and amortization. A reconciliation of Adjusted EBITDA to income from continuing operations, net of income taxes, can be found on page 39 of our Annual Report on Form 10-K for the year ended December 31, 2011, which was filed with the SEC on February 27, 2012.

With the acquisition of Macarthur, we expanded our global platform to serve major demand centers around the world and expanded our metallurgical and thermal portfolio to one of the three largest coal reserve holders in the world's largest coal exporting nation. In addition to maintaining the top position in the fastest-growing, lowest-cost U.S. regions, we have expanded the development of our growth pipeline and have access to major markets around the world. Decisions regarding compensation made by the Compensation Committee of our Board during 2011 reflected these achievements.

**Table of Contents***Performance Basis of Our Executive Compensation Program*

Our compensation philosophy and programs are based on the following core principles: pay-for-performance, stock ownership and competitive compensation opportunities. Executive compensation for 2011 aligned well with our compensation philosophy and our performance. In 2011, the Compensation Committee reviewed our compensation programs and policies for features that might encourage excessive risk taking. The Committee found the overall programs and policies to be sound and identified no significant risks that are reasonably likely to have a material adverse effect on us or our financial statements.

We design our executive compensation program to attract and retain the best talent. We focus on safety, financial and operating performance along with individual and team performance of each NEO in achieving our business objectives. The substantial majority of each NEO's annual compensation is performance-based, tied to metrics which align with shareholder value.

The Committee fully considered the results of the 2011 advisory, non-binding say on pay proposal in connection with making compensation decisions for the named executive officers. In 2011, 96% of the votes cast were voted in favor of the advisory resolution on the compensation of our named executive officers as described in our proxy statement for the 2011 annual meeting of shareholders.

For 2011, the performance-based portion of NEO compensation consisted of an annual cash incentive opportunity, stock options and performance units and was contingent on meeting certain goals for total shareholder return (relative to industry comparators and to the Standard & Poor's 500 Index), Adjusted EBITDA excluding acquisition-related items (as defined on page 31), adjusted diluted earnings per share excluding acquisition-related items (as defined on page 32), safety and individual goals. For 2011, our NEOs achieved above-target performance unit payouts, consistent with our three-year performance results relative to industry comparators and the Standard & Poor's 500 Index performance criteria during the 2009-2011 performance period. Our NEOs achieved above-target annual cash incentive payouts, driven by strong 2011 performance.

On the following pages, we discuss how our Chairman and Chief Executive Officer (Chairman and CEO), Gregory H. Boyce, and our other executive officers listed below (named executive officers or NEOs) were compensated in 2011 and how this compensation fits within our pay-for-performance philosophy. We also describe certain changes to our executive compensation program for 2011. Titles listed for these officers reflect the positions held at December 31, 2011.

*Our Named Executive Officers*

<b>Named Executive Officer</b>	<b>Title</b>	<b>Years of Service</b>
Gregory H. Boyce	Chairman and Chief Executive Officer	8
Richard A. Navarre	President and Chief Commercial Officer	18
Eric Ford	Executive Vice President and Chief Operating Officer	4
Michael C. Crews	Executive Vice President and Chief Financial Officer	13
Jeane L. Hull	Executive Vice President - Technical Services	4

*Role of Shareholder Vote*

At the Annual Meeting, shareholders will have the opportunity to vote on an advisory resolution on named executive officer compensation (See Item 3). While this vote is nonbinding, the Compensation Committee highly values this input and will fully consider the outcome of the vote, along with other factors, when making future compensation decisions for the named executive officers.

**Table of Contents**

In light of the voting results with respect to the frequency of shareholder votes on executive compensation at the 2011 annual meeting of shareholders, the Board decided that we will hold a vote on an advisory resolution on executive compensation at each annual meeting of shareholders until the next required vote on the frequency of shareholder votes on executive compensation. As SEC rules require that such shareholder votes on frequency be held at least once every six years, we currently expect the next shareholder vote on frequency to occur at our 2017 annual meeting of shareholders.

*2011 Compensation Program Changes*

During 2011, the Compensation Committee, supported by its independent compensation consultant, undertook a competitive market review of our compensation program for NEOs and other company officers. Overall, the results of this review revealed that the current compensation opportunities are competitive with comparator groups and that the performance-based program is effective in driving results and delivering returns to shareholders. To enhance competitiveness with peer group comparators, the annual incentive target opportunity for the Chairman and Chief Executive Officer was increased from 110% of annual base salary to 115% of annual base salary. The Committee also reviewed the performance metrics used in our executive compensation program to confirm that, in the current business environment, they continue to enhance shareholder value. The Return on Capital metric (as defined on page 35) was added to the performance criteria for the 2011 performance unit award in order to provide a balance between Company and market based performance outcomes.

**Table of Contents**

***Role of the Special Committee and Compensation Committee, Processes and Analyses***

Compensation decisions affecting the Chairman and CEO and other named executive officers are determined by the Special Committee and the Compensation Committee ( Committees ) as outlined below. The independent compensation consultant and the Compensation group in our Human Resources Department support the Committees efforts.

<b>Committee</b>	<b>Committee</b>	<b>Committee Focus</b>	<b>Key Accountabilities</b>
<b>Name</b>	<b>Composition</b>		
Special Committee	All independent members of the Board	Chairman and CEO	After considering the recommendations of the Compensation Committee, supported by its independent compensation consultant, the Special Committee has the responsibility for determining compensation for the Chairman and CEO.
Compensation Committee	Committee members only (all are independent)	Named executive officers, excluding the Chairman and CEO	<p>The Special Committee ensures that the compensation program for the Chairman and CEO is consistent with our compensation philosophy and is competitive with the compensation of chief executive officers at publicly-traded companies of similar size and industry.</p> <p>Has overall responsibility for evaluating and approving our executive compensation plans, policies and programs, and for monitoring performance and compensation levels.</p> <p>Oversees our annual and long-term incentive plans and programs and periodically assesses our director compensation program.</p>

***Assessment of Individual Performance***

Individual performance has a strong impact on compensation. The Special Committee meets with the Chairman and CEO in private sessions at the beginning of the year to agree upon performance objectives for the year. At the end of the year, the Special Committee meets in executive session to review the performance of the Chairman and CEO based on achievement of the agreed-upon objectives, contribution to our performance objectives and other leadership accomplishments. Members of the Special Committee review the CEO s performance individually and arrive at a consensus evaluation. This evaluation is reviewed with the Chairman and CEO and utilized to support compensation judgments by the Special Committee.

For other named executive officers, the Compensation Committee receives a performance assessment and compensation recommendation from the Chairman and CEO and applies its judgment based on the Board s interactions with the executive and their knowledge of the NEO s contributions to our success. As with our Chairman and CEO, the named executive officer s performance is based on the executive s achievement of performance objectives, contributions to our performance and other leadership qualities.



## **Table of Contents**

### *Assessment of Company Performance*

The Committees use Company performance measures to establish total compensation ranges relative to our performance and the performance of our comparator groups. In addition, the Committees establish specific performance measures that determine payouts under cash and equity-based incentive programs.

### *Role of the Independent Compensation Consultant*

The Compensation Committee has the authority under its charter to directly engage outside advisors, experts and others for assistance. Pursuant to this authority, the Committee has engaged Frederic W. Cook & Co., Inc., ( F.W. Cook ) since 2007 for independent guidance on executive compensation issues. F.W. Cook does not provide any other services to the Company.

In connection with its engagement, F.W. Cook provided the Committee with independent and objective advice concerning the types and levels of compensation to be paid to our Chairman and CEO and the other named executive officers for 2011. F.W. Cook assisted the Committee by providing market compensation data (e.g., industry compensation surveys and benchmarking data) on base pay, annual and long-term incentives and industry trends. F.W. Cook also facilitates the independent review of Chairman and CEO performance.

### *Role of Benchmarking and Comparator Companies*

Each year, the Compensation Committee commissions a compensation analysis conducted by its independent compensation consultant to determine whether our executive compensation program is appropriate compared to other publicly-held companies of similar size and industry.

Talent for senior-level management positions and key roles in the organization can be acquired across a broad spectrum of companies. As such, we rely on a group of publicly-held companies of similar size and/or complexity as determined by revenue, market capitalization, global operations and other measures to assess competitiveness. The Industrial comparator group for 2011 was comprised of the following companies:

Air Products & Chemicals, Inc.

Barrick Gold Corporation

Cliffs Natural Resources Inc.

Consol Energy Inc.

Eastman Chemical Company

Ecolab, Inc.

El Paso Corporation

EOG Resources

Freeport-McMoRan Copper & Gold, Inc.

Goodrich Corporation

ITT Corporation

Lubrizol Corporation\*

Monsanto Company

National Oilwell Varco, Inc.

Newmont Mining Corporation

Praxair, Inc.

Rockwell Automation, Inc.

Southern Copper Corporation

SPX Corporation

Teck Resources\*\*

Timken Company

## **Table of Contents**

We also review the compensation practices and performance of eight publicly-held coal mining companies as a secondary comparison. Because these companies are much smaller than us, we rely primarily on the Industrial comparator group for individual executive compensation benchmarking. The Coal comparator group for 2011 was comprised of the following companies:

Alpha Natural Resources, Inc.

Arch Coal, Inc.

Consol Energy Inc.

International Coal Group, Inc.\*\*\*

James River Coal Company

Patriot Coal Corporation

Massey Energy Company\*\*\*\*

Westmoreland Coal Company

\* Lubrizol Corporation was acquired by Berkshire Hathaway on September 16, 2011.

\*\* Teck Resources was previously known as Teck Cominco.

\*\*\* International Coal Group, Inc. was acquired by Arch Coal, Inc. on June 15, 2011.

\*\*\*\* Massey Energy Company was acquired by Alpha Natural Resources, Inc. on June 1, 2011.

In addition, we review compensation levels and practices of global companies in the mining, metals and energy sectors when relevant data are available.

Overall, F.W. Cook confirmed that our executive compensation program, as structured, is competitive with our comparators. Based upon the review of the compensation plans discussed below, comparator group compensation levels and assessments of individual and corporate performance, the Committee, with the assistance of F.W. Cook, determined that the design of and value delivered under our executive compensation program are appropriate.

### ***2011 Executive Compensation Components***

For 2011, the principal components of compensation for the named executive officers were:

Annual Base Salary;

Annual Cash Incentive Compensation;

Long-term Equity Incentives; and

Retirement and Other Benefits.

The named executive officers are also eligible to participate in our health and welfare programs, employee stock purchase plan, 401(k) plan and other broad-based programs on the same basis as other employees.

**Table of Contents**

The graph below illustrates the mix of target compensation determined by the Committees. Compared with the Industrial comparator group, a greater portion of our target total direct compensation program is performance based. The Committees believe this overall mix provides an effective delivery of total compensation that:

Encourages retention and engagement by delivering competitive compensation with variable and performance-based elements exceeding market benchmarks when performance is strong; and

Maintains a strong link to our performance and shareholder returns through a balanced incentive program.

***Annual Base Salary***

Base salary for each named executive officer is established based on the executive's responsibilities, performance and experience and the competitive environment. The Committees reviewed the base salaries of the named executive officers to ensure that they take into account these factors along with changes in role or promotions and that salary levels are competitive with those of companies of similar size and complexity.

For 2011, the Committees approved annual base salary merit increases for the named executive officers based on market information and individual performance.

***Annual Cash Incentive Compensation***

Our annual incentive compensation plan provides opportunities for our executives, including the named executive officers, to earn annual cash incentive payments tied to the successful achievement of pre-established objectives that support our business strategy.

Under the plan, the named executive officers are assigned threshold, target and maximum earnings opportunities. The target incentive opportunity is established through an analysis of compensation for comparable positions in companies of similar size and complexity and is intended to provide a competitive level of compensation when performance objectives are achieved. If actual performance

**Table of Contents**

does not meet the threshold level, no incentive is earned for that particular performance goal. At threshold performance levels, the incentive that can be earned generally equals 50% of the target incentive and, at maximum performance levels, the incentive that can be earned is up to 200% of the target incentive.

The named executive officers generally earn target incentive payouts for achieving safety and financial goals and meeting individual performance goals. We seek to set these goals to encourage superior performance. Maximum incentive payments may be awarded when budgeted safety goals, financial goals and individual performance goals are significantly exceeded. Goals and payouts for the named executive officers are reviewed and approved by the Committees for each calendar year.

*2011 Annual Incentive Performance Measures*

Annual incentives for our named executive officers are determined by the following two-step process. First, the level of funding for potential payment of incentive awards under the 2008 Management Annual Incentive Plan (the MAIP ) is determined. Second, actual incentive award payouts are determined based on achievement against specified performance measures.

Awards under the MAIP are intended to be performance-based compensation for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended. Incentive goals are set with the expectation that the MAIP will be funded at the maximum level. Assuming those incentive goals are met, the Committees can then exercise negative discretion to determine the actual awards under the MAIP for the named executive officers, which are generally consistent with the annual incentive awards to other key executives. For 2011, the Compensation Committee selected and approved the following performance goals:

Dividend payment Payment of quarterly cash dividends in 2011 to shareholders at least equal to dividend payments in 2010 on a per share basis.

Debt service payment Timely payment of required short-term and long-term debt service obligations.  
Based on our successful achievement of these goals, the Committees permitted distribution of incentives under the MAIP.

Based on input from management and information and advice from F.W. Cook, the Committees established performance measures and weightings for determining the 2011 annual incentive opportunity for the named executive officers.

<b>2011 Performance Measure</b>	<b>Method of Determination</b>	<b>Alignment with Performance Focus</b>
Adjusted EBITDA excluding acquisition-related items	Income from continuing operations before deducting net interest expense, income taxes, asset retirement obligation expense, depreciation, depletion and amortization, and excluding \$95.0 million in transaction costs and the related financial performance from the Macarthur acquisition.	This is a key metric used by us to measure our operating performance, as well as an indicator of our ability to meet debt service and capital expenditure requirements.

**Table of Contents**

<b>2011 Performance Measure</b>	<b>Method of Determination</b>	<b>Alignment with Performance Focus</b>
Adjusted diluted earnings per share excluding acquisition-related items	This metric is calculated using income from continuing operations after applying the two-class method to allocate earnings to common stock and participating securities, then dividing the result by the total shares outstanding on a fully-diluted basis, excluding (a) the impact of the remeasurement of foreign income tax accounts (benefit of \$0.9 million) and (b) transaction costs and the related financial performance from the Macarthur acquisition (expense of \$95.0 million).	This is a key metric used by us to assess our profitability.
Global Safety Incidence Rate	The Global Safety Incidence Rate is the number of injuries (U.S. Mine Safety and Health Administration injury degree code 1 to 6) divided into employee hours worked, multiplied by 200,000 hours. The rate excludes the injuries and hours associated with office workers. The rate also excludes the injuries and hours associated with the Macarthur operations.	Safety is a core value that is integrated into all areas of our business. For 2011, our quantitative safety goal was set at a 10% improvement over actual results for 2010.

**Individual Goals**

The individual goals established for the named executive officers were designed to further our business strategies and increase shareholder value. The individual goals for each of the named executive officers were reviewed and approved in advance by the Committees. These goals and objectives centered on:

Continuous improvement in safety;

Growth in revenue and earnings;

Succession planning and building of a deep talent pool;

Value-enhancing mergers and acquisitions;

Operational improvement;

Industry and government relations; and

Long-term strategic direction.

The Committees periodically review market conditions to ensure the appropriateness of established financial performance measures and individual goals for the named executive officers.

**Table of Contents***Annual Cash Incentive Payouts for 2011 Performance*

The table below summarizes the actual results for these performance goals for 2011.

Measure	Percentage of Total Award	Target	Actual Results	Achievement
Adjusted EBITDA excluding acquisition-related items (\$ millions)	35.0%	\$1,857.7	\$2,223.7	Above Maximum
Adjusted diluted earnings per share excluding acquisition-related items (\$/sh)	10.0%	\$3.06	\$4.17	Above Maximum
Global Safety Incidence Rate	5.0%	2.42	1.92	Above Maximum
Individual Goals	50.0%		By Individual	Above Target

For their 2011 performance, the named executive officers earned payouts under the MAIP, as reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table. Annual incentive payouts for 2011 were based on our achievement of quantitative goals and individual goals shown in the table above.

The Committees evaluated Mr. Boyce's performance and that of each of the other named executive officers relative to the aforementioned goals and approved their respective 2011 payouts. Specifically, Mr. Boyce earned 195% of his target individual performance goals. The other named executive officers earned between 115% to 125% of their respective target individual performance goals based on their respective individual performance.

The following table shows the target annual incentive payout and the applicable payout range (each shown as a percentage of base salary) for each of the named executive officers, the award for 2011, and the award earned as a percentage of salary in 2011. The target payout and payout range for each executive are based on his or her level of participation in the Plan and competitive market practices.

**2011 Annual Incentive Awards - Named Executive Officers**

Name	Target Payout as a % of Salary	Payout Range as a % of Salary	Award (\$)	Award Earned as a % of Salary
Gregory H. Boyce	115%	0-230%	2,624,793	229%
Richard A. Navarre	90%	0-180%	1,133,438	147%
Eric Ford	80%	0-160%	915,200	129%
Michael C. Crews	80%	0-160%	650,000	132%
Jeane L. Hull	80%	0-160%	532,372	119%



**Table of Contents*****Special Cash Bonuses Related to the Macarthur Acquisition***

Following the Macarthur acquisition, special cash bonuses were approved by the Compensation Committee and awarded to four of the five named executive officers in recognition of their significant contributions to the acquisition.

**2011 Special Cash Bonuses    Named Executive Officers**

<b>Name</b>	<b>Award (\$)</b>
Gregory H. Boyce	0
Richard A. Navarre	500,000
Eric Ford	225,000
Michael C. Crews	150,000
Jeane L. Hull	90,000

***Long-Term Equity Incentive Compensation***

Our long-term equity incentive compensation plan provides opportunities for key executives to earn equity compensation if certain pre-established long-term objectives are achieved.

The named executive officers receive long-term incentive compensation through awards of stock options and performance units. In approving the long-term incentive target awards, the Committees consider the advice of F.W. Cook, as well as available benchmarking data and retention considerations. These awards are structured to provide competitive long-term equity incentive opportunities where earned values are based on performance, aligned with shareholder value.

The targeted value of these awards, shown in the table below as a percentage of each executive's base salary, is split evenly between stock options and performance units.

**2011 Long-Term Incentive Awards    Named Executive Officers**

<b>Name</b>	<b>Target Opportunity as a % of Salary</b>
Gregory H. Boyce	500%
Richard A. Navarre	325%
Eric Ford	275%
Michael C. Crews	225%
Jeane L. Hull	200%

*Stock Options*

Our stock option program is a long-term plan designed to create a direct link between executive compensation and increased shareholder value, provide an opportunity for increased equity ownership by executives and maintain competitive levels of total compensation opportunity.

The Committees meet in December of each year to evaluate, review and approve the annual stock option award design and level of awards for the named executive officers. The Committees approve stock option awards prospectively. Annual stock option awards are generally approved in early December for granting in early January at our closing market price per share on the grant date. The Committees may occasionally approve stock option awards that are granted at other times throughout the year, to recognize promotions or new hires. In these cases, the award is approved in advance of the grant date, and the stock option grant is awarded on the determined date with an exercise price equal to



## Table of Contents

our closing market price per share on the grant date. We use a Black-Scholes valuation model to establish the grant-date fair value of all stock option grants.

Stock options will have intrinsic value only if the market price of our Common Stock increases after the grant date. Stock options generally vest in one-third increments over a period of three years or cliff vest after three years; however, options will immediately vest in full upon a change in control or a recapitalization event or upon the holder's death or disability. If the holder terminates employment without good reason (generally as defined in his or her employment agreement), all unvested stock options are forfeited. In accordance with the terms of his employment agreement, Mr. Boyce is provided continued vesting through the end of the vesting period set forth in the option agreement of unvested stock option awards if his employment terminates (1) during the first three years of his employment term (2010-2012) due to his disability, death, termination by us without cause or resignation for good reason (as defined in his employment agreement) or (2) during the last two years of the employment term (2013-2014) for any reason other than cause or retirement without his giving six months written notice. Stock options expire, at the latest, ten years from the date of grant.

### *Performance Units*

Similar to the stock option program, our performance unit program is a long-term plan designed to create a direct link between executive compensation and increased shareholder value by rewarding executives for the achievement of strong financial returns on capital and total shareholder return.

Performance units granted in 2011 will be payable, if earned, in shares of our Common Stock. The percentage of the performance units earned is based on our total shareholder return (TSR) over a period beginning January 3, 2011 and ending December 31, 2013 (the performance cycle) relative to the Industry comparator group and the S&P 500 Index (together weighted as 50% of the total award) and Return on Capital (weighted as 50% of the total award).

TSR measures cumulative stock price appreciation plus dividends. The Industry comparator group is generally perceived to be subject to market conditions and investor reactions similar to us. For purposes of the 2011 award, the Industry comparator group consisted of the following companies and excludes certain other coal mining companies (James River Coal Company and Westmoreland Coal Company) based on size:

Alpha Natural Resources, Inc.

Arch Coal, Inc.

Cloud Peak Energy

Consol Energy Inc.

Return on Capital is determined by taking the average annual operating profit for the performance cycle or, in the event of a determination date that precedes the end of the performance cycle, the portion of the performance cycle that has been completed as of the last day of the calendar quarter that ends on or immediately precedes the determination date, before taxes and dividing such number by the average total capital. The average total capital is determined using total debt plus total equity for the 37 month-end periods from December 2010 through December 2013 or, if earlier, the calendar quarter ending coincident with or immediately prior to the determination date. For performance units granted in 2011, the transaction costs related to the Macarthur acquisition and the financial performance of the Macarthur operations will be excluded in calculating the average annual operating profit for the performance cycle and the debt incurred in connection with the Macarthur acquisition will be excluded in calculating average total capital for the performance period.

We are currently included in the S&P 500 Index and were at the time the 2011 performance unit awards were granted. Our TSR performance compared to the Industry comparator group is weighted at 12.5% of the total award, while our TSR performance compared to the S&P 500 Index is weighted at



**Table of Contents**

37.5% of the total award. With regard to the 2011 performance unit award, performance against the Industry comparator group and performance against the S&P 500 Index are calculated independently. Performance unit payout formulas for the 2011 award are as follows:

Threshold payouts (equal to 40% of the number of target performance units granted) begin for TSR performance at the 35th percentile of the Industry Peer Group, the 35th percentile of the S&P 500 Index and a threshold goal for three-year Return on Capital.

Target payouts (equal to 100% of the number of target performance units granted) are earned for performance at the 50th percentile of the Industry Peer Group, 50th percentile of the S&P 500 Index and a target goal for three-year Return on Capital.

Maximum payouts (equal to 200% of the number of target performance units granted) are earned for performance at the 75th percentile of the Industry Peer Group, the 75th percentile of the S&P 500 Index and a maximum goal for three-year Return on Capital.

Payouts are ratably adjusted for performance between threshold and target, and between target and maximum levels.

No payouts will be made if TSR over the performance period is negative and performance is below the 50th percentile of the Industry Peer Group or S&P 500. Also, the maximum payout cannot exceed 150% of the number of target performance units granted if TSR over the performance period is negative and performance is at or above the 50th percentile of the Industry Peer Group or S&P 500.

The target number of performance units granted is determined using the average closing market price per share of our Common Stock during the four weeks of trading immediately following the date of grant.

Our TSR over the three-year performance period is based on the average closing market price per share of our Common Stock during the first four weeks of trading in the performance cycle compared to the average closing market price per share of our Common Stock during the last four weeks of trading in the performance cycle. Units vest monthly and are payable in Common Stock at the conclusion of the measurement period, subject to the achievement of performance goals.

Following termination of employment on account of the holder's retirement, termination by us without cause or by the holder for good reason (as defined in his or her employment agreement), the holder would receive payment from us at the end of the performance cycle determined by the number of vested performance units based on performance measured through the end of the performance period. Upon a change in control, the holder would receive payment from us determined by the number of vested performance units and based on performance through the date of the change in control. Upon the holder's termination of employment due to death or disability, the holder (other than Mr. Boyce) would receive payment from us for 100% of his or her performance units outstanding as of the date the event occurs based upon performance measured through the date of employment termination. If the holder terminates employment without good reason (as defined in his or her employment agreement), all performance units are forfeited.

Performance units granted to Mr. Boyce also become fully vested upon his termination of employment due to death or disability, but he is to receive payment from us for such awards at the end of the performance cycle, based upon performance measured through the end of the performance period. In accordance with the terms of his employment agreement, Mr. Boyce is provided continued vesting through the end of the vesting period set forth in the award agreement of unvested performance units if his employment terminates (1) during the first three years of his employment term (2010-2012) due to his termination by us without cause or resignation for good reason (as defined in his restated employ-

**Table of Contents**

ment agreement), or (2) during the last two years of the employment term (2013-2014) for any reason other than cause or retirement without his giving six months advance written notice.

**Share Ownership Requirements**

Both management and the Board of Directors believe our executives and directors should acquire and retain a significant amount of our Common Stock in order to further align their interests with those of shareholders.

Under our share ownership requirements, Mr. Boyce is required to acquire and retain Common Stock having a value equal to at least five times his base salary. Each other named executive officer is required to acquire and retain Common Stock having a value equal to at least three times his or her base salary within five years after assuming his or her executive position.

The following table summarizes the ownership of Common Stock as of March 1, 2012 by our named executive officers.

Name	Ownership Requirement Relative to Base Salary	Ownership Relative to Actual Base Salary as of March 1, 2012
Gregory H. Boyce <sup>(1)</sup>	5.0x	9.1
Richard A. Navarre	3.0x	11.6
Eric Ford	3.0x	7.1
Michael C. Crews <sup>(2)</sup>	3.0x	6.3
Jeane L. Hull <sup>(2)</sup>	3.0x	3.3

<sup>(1)</sup> Share ownership includes 86,602 phantom shares granted to Mr. Boyce on October 1, 2003 under the terms of his employment agreement.

<sup>(2)</sup> Mr. Crews was promoted effective June 20, 2008 and Ms. Hull was promoted effective March 17, 2011. Share ownership for Ms. Hull also includes 4,103 restricted shares owned indirectly through her spouse.

**Broad-based Benefits**

Our named executive officers are eligible to receive benefits generally available to our U.S. employees. Current benefit plans generally available to all U.S. employees include:

**Health and Insurance Benefits**

Medical Insurance  
Dental Insurance  
Health Care Flexible Spending Account  
Dependent Care Flexible Spending Account  
Life Insurance  
Short-Term and Long-Term Disability Insurance  
Accidental Death and Dismemberment Insurance  
Business Travel Accidental Insurance  
Long-Term Care Insurance

**Other Benefits**

Defined Contribution Plan (401(k))  
Peabody Investments Corp. Supplemental Retirement Plan  
Employee Stock Purchase Plan  
Vacation and Holidays



## **Table of Contents**

### ***Perquisites***

#### ***Security and Travel Arrangements***

The Board has concluded that for security reasons, Mr. Boyce may use our aircraft (or chartered aircraft as approved by the Corporate Security Department) for business or personal purposes, and his spouse, children and invited guests may accompany him. Mr. Boyce pays taxes on imputed income associated with personal aircraft usage. In addition, we provide Mr. Boyce access to a car and driver based on our security assessment, and we provide him with a tax gross-up for any related imputed income.

Our aircraft or chartered aircraft may be used by our other named executive officers for business purposes. Spouses may accompany such named executive officers who are traveling on such aircraft for business purposes (annual aggregate incremental costs may not exceed \$50,000) and we provide tax gross-ups for imputed income resulting from those trips.

#### ***Relocation***

We generally provide relocation benefits to named executive officers who are newly-hired or have been asked by us to relocate. These benefits typically include payment for the costs of relocation, temporary housing, closing costs and associated tax gross-ups.

#### ***Tax Preparation Services***

Pursuant to the terms of his employment agreement with us, we reimburse Mr. Ford for the cost of tax preparation services and any associated tax gross-ups.

### ***Deductibility of Compensation Expenses***

Pursuant to Section 162(m) of the Internal Revenue Code some compensation paid to named executive officers in excess of \$1 million is not tax deductible, except to the extent it constitutes performance-based compensation. The Committees have and will continue to consider the impact of Section 162(m) when establishing incentive compensation plans. As a result, a significant portion of our executive compensation satisfies the requirements for deductibility under Section 162(m). At the same time, the Committees consider as their primary goal the design of compensation strategies that further the best interests of our shareholders. In certain cases, the Committees may determine that the amount of tax deductions lost is not significant when compared to the potential opportunity a compensation program provides for creating shareholder value. The Committees therefore retain the ability to evaluate the performance of our named executive officers and to pay appropriate compensation, even if some of it may be non-deductible.

### ***Executive Compensation Claw Back Policy***

If we are required to prepare an accounting restatement due to fraudulent and/or intentional material misrepresentation, the Board may take action to recoup incentive awards and equity gains on awards granted to named executive officers to the extent such awards exceeded the payment that would have been made based on the restated financial results. This right to recoup expires unless such determination is made by the Board within three years following payment of the award.

### ***Employment Agreements***

The Compensation Committee approves the terms of all named executive officer employment agreements other than Mr. Boyce. The Special Committee approves the employment agreement for



**Table of Contents**

Mr. Boyce. The terms of those agreements, including the provision of post-termination benefits, were structured to attract and retain persons believed to be key to our success, as well as to be competitive with compensation practices for executives in similar positions at companies of similar size and complexity. In assessing whether the terms of the employment agreements were competitive, the Committees received advice from F.W. Cook and reviewed appropriate surveys and industry benchmarking data.

The following table highlights employment agreement provisions for the Chairman and CEO and other named executive officers:

<b>Position</b>	<b>Employment Agreement Provisions</b>		<b>Other Named Executive Officers</b>
	<b>Chairman &amp; CEO</b>		
<b>Most recent employment agreement date</b>	12/31/09		12/31/08 (Mr. Navarre, Mr. Ford, Mr. Crews)
<b>Term of contract</b>	12/31/09	12/31/14	3/17/11 (Ms. Hull) Two years (Mr. Navarre, Mr. Ford)
<b>Renewal</b>	As determined by the Board at the end of the contract term		Three year initial contract (Mr. Crews, Ms. Hull) Extends day-to-day (Mr. Navarre, Mr. Ford)
			Automatic renewal for one-year period at the end of initial term, unless written notice is provided by either party 90-days before the end of the applicable period



**Table of Contents**

<b>Severance Benefits</b>	<b>Employment Agreement Provisions</b>	
	<p>Upon termination other than for cause or resignation for good reason, severance is equal to specified multiple (of 2.8 from 12/31/09 through 3/31/12 and thereafter reduced ratably on a daily basis to 0 on 12/31/14) times:</p>	<p>Upon termination other than for cause or resignation for good reason, severance is equal to a 2X multiple times:</p>
	<p>i Annual base salary</p>	
	<p>i Average actual annual incentive earned for the three years preceding the year of termination</p>	<p>i Annual base salary</p>
	<p>i Six percent of base salary (to compensate for Company contributions he otherwise would have earned under our retirement plan)</p>	<p>i Average actual annual incentive earned for the three years preceding the year of termination</p>
		<p>i Six percent of base salary (to compensate for Company contributions he or she otherwise would have earned under our retirement plan)</p>
	<p>Upon termination other than for cause or resignation for good reason, Mr. Boyce is entitled to a one-time prorated annual incentive for the year of termination, qualified and nonqualified retirement, life insurance, medical and other benefits for a period that corresponds to the specified multiple</p>	<p>Upon termination other than for cause or resignation for good reason, executive is also entitled to a one-time prorated annual incentive for</p>

the year of  
termi  
nation,  
qualified and  
nonqualified  
retirement, life  
insurance, medi  
cal and other  
benefits for two  
years

One-half of severance benefit total  
paid in lump sum on the earlier of  
executive's death or first day after six  
month anniversary of termination date

One-half of  
severance  
benefit  
total paid in  
lump sum on  
the  
earlier of  
executive's  
death or  
first day after  
six month  
anniver  
sary of  
termination  
date

Remaining one-half of severance  
benefits total paid in six equal monthly  
payments beginning on the first day of  
the month next following the initial lump  
sum payment

Remaining  
one-half of  
severance  
benefits total  
paid in six  
equal  
monthly  
payments  
beginning on  
the first day of  
the month next  
following the  
initial lump  
sum  
payment

We are not obligated to provide any  
benefits under tax qualified plans that are  
not permitted by plan terms or applicable  
laws

We are not  
obligated to  
provide  
any benefits  
under tax  
qualified  
plans that are  
not permitted  
by  
plan terms or  
applicable laws

**Restrictive Covenants**

Confidentiality (indefinite)

*(post-termination)*

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Non-compete (1 year) (in the case of Mr. Crews and Ms. Hull, the non-compete does not apply if the employment agreement is not renewed and no severance benefits are paid following termination)

Non-solicitation (2 years)

Breach will result in forfeiture of any unpaid amounts or benefits

40

**Table of Contents**

	<b>Employment Agreement Provisions</b>	
<b>Make-Whole Payments</b>	<p>Upon termination of employment, Mr. Boyce is entitled to a payment of \$800,000 under his agreement to compensate him for amounts he forfeited upon leaving his former employer</p> <p>Upon termination for any reason, deferred compensation payable in cash in one of the following amounts:</p> <p>i If termination occurred (a) prior to age 62, the greatest of (1) the cash equivalent of the fair market value of 86,602 shares of Common Stock on October 1, 2003 plus interest through the date of termination, (2) an amount equal to the fair market value of 86,602 shares of Common Stock on the date of termination; (3) \$1.6 million, reduced by 0.333% for each month that termination occurs before he reaches age 62, or (4) the fair market value of 86,602 shares of Common Stock on the date of termination; or (b) on or after age 62, the greater of the amount referenced in (a) on the date of termination or \$1.6 million</p>	<p>Mr. Ford is entitled to receive a payment of \$800,000 upon termination for any reason or if he should die or become disabled to compensate him for amounts he forfeited upon leaving his former employer</p>
<b>Tax Gross-Ups</b>	<p>No tax gross-up payments for any excise taxes or related interest or penalties imposed by Internal Revenue Code Section 4999 (collectively, Excise Tax ). If Mr. Boyce becomes entitled to any payment, benefit or distribution which is subject to the Excise Tax, the aggregate payments shall be reduced (using a method that complies with Internal Revenue Code Section 409A) to the safe harbor amount under Internal Revenue Code Section 280G if the value of Mr. Boyce's net after-tax benefit as a result of the reduction would exceed the value of the net after-tax benefit if such reduction were not made and Mr. Boyce paid the Excise Tax</p>	<p>If Excise Taxes are incurred, we will make the tax gross up payments so that the Executive will be in the same financial position as if the Excise Taxes were not incurred (Mr. Navarre, Mr. Ford, Mr. Crews)</p>

No tax  
gross-up  
payments  
for any  
Excise  
Taxes (Ms.  
Hull)

***Changes to Compensation Program for 2012***

We are committed to maintaining our compensation philosophy based on the following core principles: pay-for-performance, stock ownership and competitive compensation opportunities. To that end, the Committees have approved revised maximum annual incentive plan performance and payout levels for 2012 to better reflect the volatility of our business. Specifically, the level of Adjusted EBITDA performance required for a maximum annual incentive plan payout has been increased from 115% of target to 130% of target. The Committees will continue to monitor the appropriate relationship between performance and payout levels as we expand our global platform.

**Table of Contents**

**REPORT OF THE COMPENSATION COMMITTEE**

The Compensation Committee has reviewed and discussed with management the Company's disclosures under Compensation Discussion and Analysis beginning on page 24.

Based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 for filing with the Securities and Exchange Commission.

MEMBERS OF THE COMPENSATION COMMITTEE:

WILLIAM A. COLEY, CHAIR

WILLIAM E. JAMES

ROBERT B. KARN III

M. FRANCES KEETH

ROBERT A. MALONE



**Table of Contents****EXECUTIVE COMPENSATION****SUMMARY COMPENSATION TABLE**

The following table summarizes the total compensation paid to or accrued by our Chairman and CEO, our Chief Financial Officer and our three other most highly compensated executive officers for their service to us during the fiscal years ended December 31, 2011, 2010 and 2009.

Name and Principal Position	Year	Salary (\$) <sup>(1)</sup>	Bonus (\$) <sup>(2)</sup>	Stock Awards (\$) <sup>(3)</sup>	Option Awards (\$) <sup>(3)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(4)</sup>	Change in Pension Value and Non- qualified Deferred Compensation (\$) <sup>(5)</sup>	All Other Compensation (\$) <sup>(6)</sup>	Total (\$)
Gregory H. Boyce Chairman and Chief Executive Officer	2011	1,147,245		3,393,179	2,806,223	2,624,793		246,153	10,217,593
	2010	1,110,250		3,402,538	2,554,643	2,359,306		164,266	9,591,003
	2009	1,075,000		5,552,694	2,398,433	2,227,052		138,693	11,391,872
Richard A. Navarre President and Chief Commercial Officer	2011	769,500	500,000	1,480,229	1,224,167	1,133,438	63,844	101,260	5,272,438
	2010	747,250		1,337,732	1,004,337	1,210,784	42,812	96,210	4,439,125
	2009	730,000		1,342,305	995,325	1,138,806	40,668	91,392	4,338,496
Eric Ford Executive Vice President and Chief Operating Officer	2011	710,125	225,000	3,156,771	956,709	915,200		108,803	6,072,608
	2010	690,375		1,124,441	844,241	966,248		172,751	3,798,056
	2009	675,000		1,128,343	836,670	936,005		122,720	3,698,738
Michael C. Crews Executive Vice President and Chief Financial Officer	2011	491,250	150,000	632,794	523,349	650,000	4,224	63,555	2,515,172
	2010	461,250		599,710	450,272	608,818	2,467	59,383	2,181,900
	2009	425,000		468,059	347,060	597,003	2,449	56,596	1,896,167
Jeane L. Hull Executive Vice President - Technical Services <sup>(7)</sup>	2011	447,292	90,000	1,161,943	200,093	532,372		196,064	2,627,764

<sup>(1)</sup> Salaries earned in 2011 may reflect annual base salary changes due to merit based adjustments, where applicable.

<sup>(2)</sup> In conjunction with the successful completion of the acquisition of Macarthur Coal Limited, several named executive officers were awarded cash bonuses in recognition of their significant contributions. Awards for each named executive officer were approved by the Compensation Committee and paid on December 15, 2011.

<sup>(3)</sup> Amounts in the Stock Awards and Option Awards columns represent the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation - Stock Compensation ( FASB ASC Topic 718 ). A discussion of the relevant fair value assumptions is set forth in Note 17 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. For 2011 performance unit awards included in the Stock Awards column, the maximum potential payout is estimated as follows: Mr. Boyce, \$6,786,358; Mr. Navarre, \$2,960,458; Mr. Ford, \$2,313,619; Mr. Crews \$1,265,587; and Ms. Hull, \$483,822. We caution that amounts ultimately realized from the stock and option awards will vary based on a number of factors, including our actual operating performance, stock price fluctuations and the

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timing of exercises (in the case of options only) and stock sales.

(4) Amounts in this column represent awards under our annual incentive plan. The material terms of the 2011 awards are described under the caption Annual Cash Incentive Compensation in the Compensation Discussion and Analysis section.

(5) The amounts in this column reflect changes in pension values. See page 50 for further discussion about the Pension Plan.

(6) Amounts included in this column are described in the All Other Compensation table.

(7) Ms. Hull was promoted to her current position on March 17, 2011.

**Table of Contents****All Other Compensation**

The following table sets forth detailed information regarding the amounts reported in the All Other Compensation column of the Summary Compensation Table for the named executive officers.

Name	Year	Group Term Life Insurance (\$)	Annual 401(k) Matching	Nonqualified Supplemental Contribution (\$)	Tax Gross-Ups (\$) <sup>(1)</sup>	Perquisites (\$) <sup>(2)(3)</sup>	Total (\$)
			and Performance Contributions (\$)				
Gregory H. Boyce	2011	4,902	138,174		7,826	95,251	246,153
	2010	4,902	133,935		16,964	8,465	164,266
	2009	4,526	129,000		2,593	2,574	138,693
Richard A. Navarre	2011	2,622	92,670		4,522	1,446	101,260
	2010	2,622	90,015		2,816	757	96,210
	2009	1,710	87,600		709	1,373	91,392
Eric Ford	2011	4,902	85,508		7,808	10,585	108,803
	2010	4,902	83,153		4,793	79,903	172,751
	2009	4,902	77,738		13,150	26,930	122,720
Michael C. Crews	2011	824	59,475		2,372	884	63,555
	2010	771	55,575		2,240	797	59,383
	2009	705	53,100		1,418	1,373	56,596
Jeane L. Hull <sup>(4)</sup>	2011	3,204	50,838	40,000	19,265	82,757	196,064

<sup>(1)</sup> For Mr. Boyce, Mr. Navarre and Mr. Crews, represents the tax gross-ups relating to taxes due for use of our corporate aircraft (as defined and calculated in accordance with Internal Revenue Service guidelines), and reimbursed by us when a spouse/guest accompanied the executive on our corporate aircraft for Company business purposes. The amount shown for Mr. Boyce also includes the tax-gross up for a company provided car and driver incurred in 2011. The amount shown for Mr. Ford represents the tax-gross up for tax preparation incurred in 2011. The amount shown for Ms. Hull represents relocation and financial planning expenses and related tax-gross ups incurred in 2011.

<sup>(2)</sup> Amounts include the aggregate incremental cost to us of trips where a spouse/guest accompanied the executive on our corporate aircraft for Company business purposes. Aggregate incremental cost to us of use of our corporate aircraft is determined on a per flight basis, including the cost of fuel, landing fees, the cost of in-flight meals, sales tax, crew expenses, and the hourly cost of aircraft maintenance for the applicable number of flight hours, and other variable costs specifically incurred.

<sup>(3)</sup> For Mr. Ford, includes for 2011 tax return preparation costs of \$10,585 pursuant to the terms of his offer of employment with us. For Ms. Hull includes for 2011 financial planning costs of \$17,160 and relocation expenses of \$65,335 paid in 2011. In light of her promotion, Ms. Hull is no longer eligible to receive financial planning assistance beyond 2011.

<sup>(4)</sup> For Ms. Hull, the nonqualified supplemental contribution represents a make-whole payment for a retirement benefit forfeited upon leaving her former employer.

**Table of Contents****GRANTS OF PLAN-BASED AWARDS IN 2011**

The following table sets forth information concerning grants of plan-based awards during the year ended December 31, 2011 to the named executive officers.

Name	Grant Date	Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(1)</sup>			All Other Stock Awards: Number of Shares of	All Other Option Awards: Number of Securities	Exercise or Base Price	Grant Date Fair Value of Stock and Awards		
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	Units (#)	Options (#) <sup>(2)</sup>	Awards (\$/Sh) <sup>(2)</sup>	Awards (\$) <sup>(3)</sup>		
Gregory H. Boyce	1/3/2011	12/9/2010	664,405	1,329,009	2,658,018	22,709	45,418	90,836				3,393,179		
	1/3/2011	12/9/2010										82,731	64.52	2,806,223
Richard A. Navarre	1/3/2011	12/8/2010	348,750	697,500	1,395,000	9,907	19,813	39,626				1,480,229		
	1/3/2011	12/8/2010										36,090	64.52	1,224,167
Eric Ford	1/3/2011	12/8/2010	286,000	572,000	1,144,000	7,742	15,484	30,968				1,156,810		
	1/3/2011	12/8/2010										28,205	64.52	956,709
	10/26/11	10/26/2011										48,076		1,999,962
Michael C. Crews	1/3/2011	12/8/2010	200,000	400,000	800,000	4,235	8,470	16,940				632,794		
	1/3/2011	12/8/2010										15,429	64.52	523,349
Jeane L. Hull	1/3/2011	12/8/2010	184,000	368,000	736,000	1,619	3,238	6,476				241,911		
	1/3/2011	12/8/2010										5,899	64.52	200,093
	3/18/11	3/18/2011										13,104		920,032

<sup>(1)</sup> Performance unit awards are included in the Estimated Future Payouts Under Equity Incentive Plan Awards column above. Performance unit awards granted in 2011 will be earned based on achievement of performance objectives for the period January 3, 2011 to December 31, 2013. The material terms of these awards, including payout formulas, are described under the caption Performance Units in the Compensation Discussion and Analysis section.

<sup>(2)</sup> Stock option awards granted in 2011 are included in the All Other Option Awards column above. All options vest in three equal annual installments beginning on the first anniversary of the date of grant. The material terms of these awards are described under the caption Stock Options in the Compensation Discussion and Analysis section.

<sup>(3)</sup> The value of performance unit awards and stock option awards are the grant date fair value determined under FASB ASC Topic 718. A discussion of the relevant fair value assumptions is set forth in Note 17 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. We caution that the amount ultimately realized from the stock and option awards will vary based on a number of factors, including our actual operating performance, stock price fluctuations and the timing of exercises (in the case of options only) and stock sales.

Table of Contents**OUTSTANDING EQUITY AWARDS AT 2011 FISCAL YEAR END**

The following table sets forth detail about the outstanding equity awards for each of the named executive officers as of December 31, 2011. We caution that the amount ultimately realized from the outstanding equity awards will vary based on a number of factors, including our actual operating performance, stock price fluctuations and the timing of exercises (in the case of options only) and stock sales. In the case of equity incentive awards, the amount ultimately realized will also vary with our stock performance relative to the Industry comparator group, the S&P 500 Index and our Return on Capital.

All unexercisable options and unvested shares or units of stock reflected in the table held by a named executive officer other than Mr. Boyce are subject to forfeiture if the holder terminates employment without good reason (as defined in the holder's employment agreement). In accordance with the terms of his employment agreement, Mr. Boyce is provided continued vesting through the end of the vesting period set forth in the option agreement of unvested stock option awards if his employment terminates (1) during the first three years of his employment term (2010-2012) due to his disability, death, termination by us without cause or resignation for good reason (as defined in his employment agreement) or (2) during the last two years of the employment term (2013-2014) for any reason other than cause or retirement without his giving six months written notice. Stock options expire, at the latest, ten years from the date of grant.

Name	Option Awards				Stock Awards			Equity
	Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup> Exercisable	Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup> Unexercisable	Option Exercise Price (\$) <sup>(1)</sup>	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) <sup>(1)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(2)</sup>	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested (#) <sup>(1)(3)</sup>	Equity Incentive Plan Awards: Market Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$) <sup>(4)</sup>
Gregory H. Boyce							53,457 <sup>(5)</sup> 45,418 <sup>(6)</sup>	1,769,961 1,503,790
	56,248 <sup>(8)</sup>		17.8541	1/3/2015	86,602 <sup>(7)</sup>	2,867,392		
	27,501 <sup>(9)</sup>		21.6646	3/1/2015				
	91,734 <sup>(10)</sup>		39.8143	1/3/2016				
	120,314 <sup>(11)</sup>		34.9553	1/3/2017				
	77,761 <sup>(12)</sup>		62.7200	1/2/2018				
	124,103 <sup>(13)</sup>	62,051 <sup>(13)</sup>	26.8400	1/5/2019				
	33,137 <sup>(14)</sup>	66,275 <sup>(14)</sup>	47.8700	1/4/2020				
		82,731 <sup>(15)</sup>	64.5200	1/3/2021				
<b>Total</b>	<b>530,798</b>	<b>211,057</b>			<b>86,602</b>	<b>2,867,392</b>	<b>98,875</b>	<b>3,273,751</b>
Richard A. Navarre							21,017 <sup>(5)</sup> 19,813 <sup>(6)</sup>	695,873 656,008
	42,049 <sup>(12)</sup>		62.7200	1/2/2018				
		25,751 <sup>(13)</sup>	26.8400	1/5/2019				
	13,028 <sup>(14)</sup>	26,055 <sup>(14)</sup>	47.8700	1/4/2020				
		36,090 <sup>(15)</sup>	64.5200	1/3/2021				

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Total	55,077	87,896				40,830	1,351,881
Eric Ford						17,666 <sup>(5)</sup>	584,921
					3,000 <sup>(16)</sup>	99,330	15,484 <sup>(6)</sup>
	28,828 <sup>(17)</sup>	35,6481	3/6/2017	24,038 <sup>(18)</sup>		795,898	
	34,037 <sup>(12)</sup>	62,7200	1/2/2018	24,038 <sup>(19)</sup>		795,898	
	32,469 <sup>(13)</sup>	21,646 <sup>(13)</sup>	26,8400	1/5/2019			
	10,951 <sup>(14)</sup>	21,902 <sup>(14)</sup>	47,8700	1/4/2020			
		28,205 <sup>(15)</sup>	64,5200	1/3/2021			
Total	106,285	71,753		51,076	1,691,126	33,150	1,097,596

**Table of Contents**

Name	Option Awards				Stock Awards		Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(5)</sup>	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested <sup>(4)</sup>
	Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup> Exercisable	Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup> Unexercisable	Option Exercise Price (\$) <sup>(1)</sup>	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) <sup>(1)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(2)</sup>	Shares, Units or Other Rights That Have Not Vested (#) <sup>(1)(3)</sup>	Shares, Units or Other Rights That Have Not Vested (\$) <sup>(4)</sup>
Michael C. Crews		12,579 <sup>(20)</sup>	79.2800	7/14/2018			9,422 <sup>(5)</sup>	311,962
		8,979 <sup>(13)</sup>	26.8400	1/5/2019			8,470 <sup>(6)</sup>	280,442
		11,681 <sup>(14)</sup>	47.8700	1/4/2020				
		15,429 <sup>(15)</sup>	64.52000	1/3/2021				
Total		48,668					17,892	592,404
Jeane L. Hull					10,134 <sup>(21)</sup>	335,537	3,559 <sup>(5)</sup>	117,838
					13,104 <sup>(22)</sup>	433,873	3,238 <sup>(6)</sup>	107,210
		4,413 <sup>(14)</sup>	47.8700	1/4/2020				
		5,899 <sup>(15)</sup>	64.5200	1/3/2021				
Total		10,312			23,238	769,410	6,797	225,048

(1) The numbers of options/shares/units and the exercise prices of options have been adjusted, where applicable, to reflect our 2-for-1 stock splits in March 2005 and February 2006 and the spin-off of Patriot Coal Corporation on October 31, 2007.

(2) The market value was calculated based on the closing market price per share of our Common Stock on the last trading day of 2011, \$33.11 per share.

(3) The number of performance units disclosed is based on the assumption that target performance goals will be achieved.

(4) The payout value is calculated based on the closing market price per share of our Common Stock on the last trading day of 2011, \$33.11 per share, and the assumption that target performance goals will be achieved.

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- (5) The performance units were granted on January 4, 2010 and fully vest on December 31, 2012, based on our TSR performance relative to the applicable peer group and the S&P 500 Index.
- (6) The performance units were granted on January 3, 2011 and fully vest on December 31, 2013, based on our TSR performance relative to the applicable peer group and the S&P 500 Index and Return on Capital performance goals.
- (7) The phantom units granted pursuant to Mr. Boyce's employment agreement vested on October 14, 2009, and will be paid out to Mr. Boyce upon termination of his employment with us.
- (8) The options were granted on January 3, 2005 and vested in three equal annual installments beginning January 3, 2006.
- (9) The options were granted on March 1, 2005 and vested in three equal annual installments beginning March 1, 2006.
- (10) The options were granted on January 3, 2006 and vested in three equal annual installments beginning January 3, 2007.
- (11) The options were granted on January 3, 2007 and vested in three equal annual installments beginning January 3, 2008.
- (12) The options were granted on January 2, 2008 and vested in three equal annual installments beginning January 2, 2009.
- (13) The options were granted on January 5, 2009 and vested or will vest in three equal annual installments beginning January 5, 2010.
- (14) The options were granted on January 4, 2010 and vested or will vest in three equal annual installments beginning January 4, 2011.
- (15) The options were granted on January 3, 2011 and vested or will vest in three equal annual installments beginning January 3, 2012.
- (16) The restricted shares were granted pursuant to Mr. Ford's employment agreement will vest on March 6, 2013.
- (17) The options were granted on March 6, 2007 and vested on March 6, 2009 and March 6, 2010.
- (18) The restricted shares were granted on October 26, 2011 and vest one-half on December 31, 2013 and one-half on December 31, 2014.
- (19) The restricted shares were granted on October 26, 2011 and vest on December 31, 2013.
- (20) The options were granted on July 14, 2008 and vest on July 14, 2012.
- (21) The restricted shares were granted on January 5, 2009 and vest on January 5, 2012.
- (22) The restricted shares were granted on March 18, 2011 and vest on March 18, 2014.





**Table of Contents****OPTION EXERCISES AND STOCK VESTED IN 2011**

The following table sets forth detail about stock option exercises during 2011 and stock awards that vested during 2011 for each of the named executive officers. The options in this table were granted between February 2007 and January 2009. The stock awards are comprised of performance unit awards granted in 2009 and restricted stock awards granted in 2006, 2007 and 2008.

Name	Option Awards		Number of Shares Acquired on Vesting of Performance Units <sup>(1)(3)</sup>	Stock Awards	
	Number of Shares Acquired on Exercise <sup>(1)</sup>	Value Realized on Exercise <sup>(2)</sup>		Number of Shares Acquired on Vesting of Restricted Shares <sup>(4)</sup>	Value Realized on Vesting <sup>(3)(5)</sup>
Gregory H. Boyce			133,165		4,779,282
Richard A. Navarre	25,750	906,289	55,261		1,983,326
Eric Ford	39,653	1,457,488	46,453		1,667,187
Michael C. Crews	14,820	402,595	19,269	9,756	1,320,280
Jeane L. Hull				29,441	1,483,869

(1) Numbers have been adjusted to reflect our 2-for-1 stock splits in March 2005 and February 2006. Any options exercised after the spin-off of Patriot Coal Corporation on October 31, 2007 have also been adjusted for the spin-off.

(2) The value realized was calculated based on the difference between the closing market price per share of our Common Stock on the date of exercise and the applicable exercise price.

(3) Represents the number of shares of Common Stock delivered in January 2012 in connection with the payout of the performance unit awards granted in 2009 and vested on December 31, 2011.

(4) Represents the number of shares of Common Stock delivered in connection with restrictions lifting from restricted shares that vested during 2011.

(5) A detailed explanation of the value realized due to the payout of performance unit awards granted in 2009 is included in the Peabody Relative Performance for Performance Period Ended December 31, 2011 and Resulting Performance Unit Awards to Named Executive Officers table.

**Performance Unit Program**

In January 2012, the named executive officers received payouts under the terms of performance unit awards granted in 2009 that vested on December 31, 2011 (described under **Performance Units** in the Compensation Discussion and Analysis section). The value realized is shown in the **Stock Awards** column in the above table. These payouts were consistent with our stated executive compensation philosophy to create a clear link to shareholder value and to base compensation, in part, on relative external performance. Specifically, the percentage of these performance units earned was based on our TSR over the three-year performance period beginning January 5, 2009 and ended December 31, 2011, relative to the TSR of the Coal comparator group and the S&P 500 Index over the same period.

Over the three-year performance period, our TSR of 39.3% was the best in the Coal comparator group and was at the 39th percentile of the S&P 500 Index. The named executive officers were instrumental in leading us through this period of record EBITDA growth and safety improvement.

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The following table sets forth additional details regarding performance unit payouts earned by each of the named executive officers in 2011. The payouts to the named executive officers relate to performance units granted in 2009 and reflect our performance and stock price appreciation during the ensuing three-year performance period.

**Table of Contents****Peabody Relative Performance for Performance Period Ended December 31, 2011 and****Resulting Performance Unit Award Payouts to Named Executive Officers**

The following table compares our TSR for the three-year period ended December 31, 2011 to the performance of the Coal comparator group and to the performance of the S&P 500 Index. Based on our relative performance, the named executive officers earned the following awards under the program:

Name	Performance Period	Peabody	Peabody	Peabody	Peabody	Total	Target	Actual	Actual
		Percentile Ranking Among Coal Comparator Group - Total Shareholder Return	Percentile Ranking Among Peabody Companies - Total Shareholder Return <sup>(1)</sup>						
Gregory H. Boyce						95,982	133,165	4,779,282	
Richard A. Navarre	2009 -2011	100.0%	1 of 5	38.7%	300 of 486	144.9%	39,381	55,261	1,983,326
Eric Ford						33,482	46,453	1,667,187	
Michael C. Crews						13,889	19,269	691,582	
Jeanne L. Hull <sup>(4)</sup>									

<sup>(1)</sup> The index is designed to track the performance of companies included in the S&P 500.

<sup>(2)</sup> The actual shares awarded were calculated based on the closing price per share of our Common Stock on the settlement date, January 26, 2011 (\$35.89).

<sup>(3)</sup> The value of the awards was calculated based on the average closing price per share of our Common Stock for the four-week period ended December 31, 2011 (\$34.37).

<sup>(4)</sup> Based upon the timing of her promotion to Executive Vice President - Technical Services, Ms. Hull was not eligible to participate in the plan.

**Table of Contents****PENSION BENEFITS IN 2011**

Our frozen Retirement Plan for Salaried Employees, or pension plan, is a defined benefit plan. The pension plan provides a monthly annuity to eligible salaried employees when they retire. An employee must have at least five years of service to be vested in the pension plan. A full benefit is available to a retiree at age 62. A retiree can begin receiving a benefit as early as age 55; however, a 4% reduction factor applies for each year a retiree receives a benefit prior to age 62.

We announced in February 1999 that the pension plan would be phased out beginning January 1, 2001. Certain transition benefits were introduced based on the age and service of affected employees at December 31, 2000. Each of the applicable named executive officers has had his or her pension benefits frozen. In all cases, final average earnings for retirement purposes are capped at December 31, 2000 levels.

An individual's retirement benefit under the pension plan is equal to the sum of (1) 1.112% of the highest average monthly earnings over 60 consecutive months up to the covered compensation limit multiplied by the employee's years of service, not to exceed 35 years, and (2) 1.5% of the average monthly earnings over 60 consecutive months over the covered compensation limit multiplied by the employee's years of service, not to exceed 35 years. Under the plan, earnings include compensation earned as base salary and up to five annual incentive awards.

Listed below is the estimated present value of the current accumulated pension benefit under qualified and nonqualified plans as of December 31, 2011 for the named executive officers. The estimated present value was determined assuming the executive retires at age 62, the normal retirement age under the plan, using a discount rate of 5.00% and the RP 2000 White Collar Mortality with Mortality Improvements Projected to 2017 with Scale AA Table. Other material assumptions used in making the calculations are discussed in note 12 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. The disclosed amounts are estimates only and do not necessarily reflect the actual amounts that will be paid to the executives. Such amounts will be known only at the time the executives become eligible for payment.

Name	Plan Name	Number of Years Credited Service (#) <sup>(1)</sup>	Present Value of Accumulated Benefit (\$)	Payments in 2011 (\$)
Gregory H. Boyce <sup>(2)</sup>	Retirement Plan for Salaried Employees			
Richard A. Navarre <sup>(3)</sup>	Retirement Plan for Salaried Employees	7.8	320,301	
Eric Ford <sup>(2)</sup>	Retirement Plan for Salaried Employees			
Michael C. Crews <sup>(3)</sup>	Retirement Plan for Salaried Employees	2.3	17,551	

<sup>(1)</sup> Due to the phase-out of our pension plan as described above, years of credited service are less than years of actual service. Actual years of service for the named executive officers eligible to participate in the pension plan are as follows: Mr. Navarre, 18.9; and Mr. Crews, 13.3.

<sup>(2)</sup> Messrs. Boyce and Ford and Ms. Hull are not eligible to receive benefits under our pension plan because their employment with us began after the phase-out of the plan.

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<sup>(3)</sup> Under the terms of the phase-out, Mr. Navarre s and Mr. Crews pension benefits were frozen as of December 31, 2000, and years of credited service, for the purpose of the pension plan, ceased to accrue.

**Table of Contents****NONQUALIFIED DEFERRED COMPENSATION IN 2011**

The following table sets forth detail about activity for the named executive officers in our excess defined contribution retirement plan and certain amounts payable to Mr. Boyce and Mr. Ford under their employment agreements.

All of the named executive officers participate in the nonqualified excess defined contribution retirement plan, which is designed to allow highly compensated and management employees to make contributions in excess of limits that apply to our tax-qualified 401(k) plan. The plan is designed to restore the benefits, including matching contributions, not permitted due to the limits on the 401(k) plan. Investment options under the plan are identical to those under the 401(k) plan.

Name	Plan Name	Executive Contributions	Company Contributions	Aggregate Earnings	Aggregate Withdrawals	Aggregate Balance as of
		in 2011 (\$) <sup>(1)</sup>	in 2011 (\$) <sup>(2)</sup>	in 2011 (\$)	/ Distributions (\$)	December 31, 2011 (\$) <sup>(3)</sup>
Gregory H. Boyce	Excess Defined Contribution					
	Retirement Plan	63,157	106,755	(13,187)		1,201,881
	Employment Agreement <sup>(4)</sup>					800,000
	Deferred Compensation Account <sup>(4)</sup>					2,867,392
Richard A. Navarre	Excess Defined Contribution					
	Retirement Plan	36,715	61,950	(81,482)		816,476
Eric Ford	Excess Defined Contribution					
	Retirement Plan	27,908	54,938	(8,447)		394,549
	Employment Agreement <sup>(4)</sup>					800,000
Michael C. Crews	Excess Defined Contribution					
	Retirement Plan	22,163	30,426	(13,442)		153,252
Jeane L. Hull	Excess Defined Contribution					
	Retirement Plan	40,458	61,438	(20,885)		314,637
	Supplemental Contribution <sup>(5)</sup>					

<sup>(1)</sup> The amounts reported in this column are also included in the Summary Compensation Table, in the Salary column for 2011.

<sup>(2)</sup> A portion of the amounts reported in this column are also included in the Summary Compensation Table, in the All Other Compensation column for 2011 and in the Annual 401(k) Matching and Performance Contributions column of the All Other Compensation table.

<sup>(3)</sup> Of the totals in this column, the following amounts have been reported in the Summary Compensation Table for 2011 and for 2009-2010:

Name	2011 Summary Compensation Table	2009-2010 Summary Compensation Tables (\$)	Total (\$)
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	(\$)		
Gregory H. Boyce	54,135	204,135	258,270
Richard A. Navarre	31,470	119,365	150,835
Eric Ford	27,909	105,353	133,262
Michael C. Crews	14,775	54,778	69,553
Jeane L. Hull	52,138	0	52,138

(4) The amounts reported for Messrs. Boyce and Ford are discussed under the caption "Employment Agreements" in the Compensation Discussion and Analysis section.

(5) Includes make-whole payment for retirement benefit forfeited upon leaving her former employer. Aggregate balance will be paid in lump-sum upon retirement.

### **POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

The table below reflects the amount of compensation that would have been payable to the named executive officers in the event of termination of such executive's employment, including certain benefits upon a change in control of us, pursuant to the terms of their employment agreements and long-term incentive agreements. The amounts shown assume a termination effective as of December 31, 2011, including a gross-up for certain taxes in the event that any payment made in connection with the change in control was subject to the excise tax imposed by Section 4999 of the Internal Revenue Code. The actual amounts that would be payable can be determined only at the time of the executive's termi-



**Table of Contents**

nation. The amount of compensation payable to each executive upon retirement is not included in the table, as none of the executives was eligible for retirement (age 55, with 10 years of service) as of December 31, 2011.

**Potential Payments Upon Termination or Change in Control**

	Cash Severance	Cont'd Benefits & Perquisites	Other Cash Payment	Accelerated Vesting/Earnout of Unvested Equity Compensation <sup>(1)</sup>	Excise Tax Gross-Up <sup>(2)</sup>	TOTAL
<b>Gregory H. Boyce</b>						
For Cause Termination	\$ 0	0	0	0	n/a	0
Voluntary Termination <sup>(3)</sup>	\$ 0	0	0	0	n/a	0
Retirement <sup>(4)</sup>	\$ 0	0	2,624,793	1,332,813	n/a	3,957,606
Death or Disability <sup>(5)</sup>	\$ 0	0	2,624,793	2,556,585	n/a	5,181,378
Involuntary Termination Without Cause or For Good Reason <sup>(6)</sup>	\$ 9,642,016	60,553	2,624,793	1,332,813	n/a	13,660,175
Involuntary Termination Related to a Change in Control	\$ 9,642,016	60,553	2,624,793	1,332,813	0	13,660,175
<b>Richard A. Navarre</b>						
For Cause Termination or Voluntary Termination <sup>(3)</sup>	\$ 0	0	76,923	0	n/a	76,923
Death or Disability <sup>(5)</sup>	\$ 0	0	1,210,361	1,078,420	n/a	2,288,781
Involuntary Termination Without Cause or For Good Reason <sup>(6)</sup>	\$ 3,953,993	42,991	1,210,361	392,638	n/a	5,599,983
Involuntary Termination Related to a Change in Control	\$ 3,953,993	42,991	1,210,361	554,096	0	5,761,441
<b>Eric Ford</b>						
For Cause Termination or Voluntary Termination <sup>(3)</sup>	\$ 0	0	0	0	n/a	0
Death or Disability <sup>(5)</sup>	\$ 0	0	915,200	2,558,867	n/a	3,474,067
Involuntary Termination Without Cause or For Good Reason <sup>(6)</sup>	\$ 3,395,969	42,883	915,200	416,452	n/a	4,770,504
Involuntary Termination Related to a Change in Control	\$ 3,395,969	42,883	915,200	2,143,969	0	6,498,021
<b>Michael C. Crews</b>						
For Cause Termination or Voluntary Termination <sup>(3)</sup>	\$ 0	0	0	0	n/a	0
Death or Disability <sup>(5)</sup>	\$ 0	0	650,000	453,726	n/a	1,103,726
Involuntary Termination Without Cause or For Good Reason <sup>(6)</sup>	\$ 2,109,828	41,620	650,000	171,471	n/a	2,972,919
Involuntary Termination Related to a Change in Control	\$ 2,109,828	41,620	650,000	227,770	0	3,029,218
<b>Jeane L. Hull</b>						
For Cause Termination or Voluntary Termination <sup>(3)</sup>	\$ 0	0	0	0	n/a	0
Death or Disability <sup>(5)</sup>	\$ 0	0	532,732	920,810	n/a	1,453,542
Involuntary Termination Without Cause or For Good Reason <sup>(6)</sup>	\$ 1,946,835	16,003	532,732	65,196	n/a	2,560,766
Involuntary Termination Related to a Change in Control	\$ 1,946,835	16,003	532,732	834,607	n/a	3,330,177

<sup>(1)</sup> Reflects the value the named executive officer could realize as a result of the accelerated vesting of any unvested stock option awards, based on the spread between the applicable option exercise price and stock price on the last business day of 2011, \$33.11. The value realized is not and would not be our liability.

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- (2) Includes excise tax, plus the effect of 35% federal income taxes, 6% state income taxes, and 1.45% FICA-HI taxes on the excise tax.
- (3) For all named executive officers the compensation payable would include accrued but unused vacation. For Cause means, for all named executive officers except Mr. Boyce, (1) any material and uncorrected breach by the executive of the terms of his or her employment agreement, including but not limited to engaging in disclosure of secret or confidential information; (2) any willful fraud or dishonesty of the executive involving our property or business; (3) a deliberate or willful refusal or failure to comply with any major corporate policies which are communicated in writing; or (4) the executive's conviction of, or plea of no contest to any felony if such conviction shall result in imprisonment or, in the case of Mr. Crews and Ms. Hull, has a material detrimental effect on our reputation or business. Under Mr. Boyce's employment agreement, For Cause means items (1) through (3) in the foregoing sentence, or (4) his conviction of, or plea of no contest to, any felony if such conviction results in his imprisonment and the act(s) resulting in such conviction and imprisonment

**Table of Contents**

would be reasonably expected to result in conviction under U.S., U.K., or Australian law and such conviction is not based solely or primarily on a finding of vicarious liability.

- (4) Mr. Boyce's compensation payable in the event of retirement would include (a) accrued but unused vacation, (b) earned but unpaid annual incentive for year of termination, and (c) prorated payout of outstanding performance units based on performance to the date of termination.
- (5) For all named executive officers compensation payable upon death or disability would include (a) accrued but unused vacation, (b) earned but unpaid annual incentive for year of termination, (c) 100% payout of outstanding performance units based on actual performance to the date of termination, and (d) the value an executive could realize as a result of the accelerated vesting of any unvested stock option awards, per the terms of the executive's stock option grant agreement. For 2011, the earned but unpaid annual incentive was equal to 100% of the sum of the non-equity incentive plan and bonus compensation, as shown in the Summary Compensation Table, and payout of performance units reflects the values for the 2010 and 2009 performance units based on actual performance as of December 31, 2011. Amounts do not include life insurance payments in the case of death.
- (6) For all named executive officers except Mr. Boyce, the compensation payable would include (a) severance payments of two times base salary, (b) a payment equal to two times the average of the actual annual incentives paid in the three prior years, (c) a payment equal to two times 6% of base salary to compensate for Company contributions the executive otherwise might have received under our retirement plan, (d) earned but unpaid annual incentive for year of termination, (e) continuation of benefits for two years and (f) prorated payout of outstanding performance units based on performance to the date of termination. Mr. Boyce's compensation payable would include (a) severance payments of 2.8 times base salary, (b) a payment equal to 2.8 times the average of the actual annual incentives paid in the three prior years, (c) a payment equal to 2.8 times 6% of base salary to compensate for Company contributions he otherwise might have received under our retirement plan, (d) earned but unpaid annual incentive for year of termination, (e) continuation of benefits for 2.8 years, and (f) prorated payout of outstanding performance units based on performance at the end of the performance period.

**Table of Contents**

**DIRECTOR COMPENSATION**

Compensation of non-employee directors for 2011 was comprised of cash compensation, consisting of annual board and committee retainers and equity compensation. Each of these components is described below in more detail.

Any director who is also our employee receives no additional compensation for serving as a director.

*Annual Board and Committee Retainers*

In 2011, non-employee directors received an annual cash retainer of \$85,000. Non-employee directors who served on more than one committee received an additional annual \$10,000 cash retainer.

The Audit Committee Chairperson received an additional annual \$15,000 cash retainer, and the other Audit Committee members received additional annual \$5,000 cash retainers. The Chairperson of the Compensation Committee receives an additional annual \$15,000 cash retainer, and the Chairpersons of the Health, Safety and Environmental Committee and the Nominating and Corporate Governance Committee each received an additional annual \$10,000 cash retainer.

Non-employee directors may elect to receive their total annual cash retainer in the form of additional deferred stock units (based on the fair market value of our Common Stock on the date of grant). The additional grant of deferred stock units is subject to the same grant timing, vesting and distribution date elections as the annual equity compensation grant described below.

We pay travel and accommodation expenses of our non-employee directors to attend meetings and other corporate functions. Non-employee directors do not receive meeting attendance fees. Non-employee directors may be accompanied by a spouse/partner when traveling on Company business on our aircraft or charter aircraft.

*Annual Equity Compensation*

Non-employee directors received annual equity compensation valued at \$120,000 in 2011, awarded in deferred stock units (based on the fair market value of our Common Stock on the date of grant). The deferred stock units fully vest on the first anniversary of the date of grant in monthly vesting installments and are converted into shares of our Common Stock on the specified distribution date elected by each non-employee director. In the event of a change in control of the Company (as defined in our Long-Term Equity Incentive Plan), any unvested deferred stock units will vest on an accelerated basis. The deferred stock units also provide for accelerated vesting in the event of death or disability or separation from service due to the non-employee director reaching the end of his or her elected term and either (a) being ineligible to run for an additional term on the Board as a result of reaching age 75 or (b) having completed three years of service as a non-employee director and the current Board term for which he or she was elected.

**Table of Contents**

The total 2011 compensation of our non-employee directors is shown in the following table.

**Non-Employee Director Compensation for 2011**

Name	Fees Earned or Paid in Cash or DSUs (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)(3)</sup>	Option Awards (\$) <sup>(4)</sup>	All Other Compensation (\$) <sup>(5)</sup>	Total (\$)
William A. Coley*	110,000	120,000			230,000
William E. James	95,000	120,000		154	215,154
Robert B. Karn III	110,338	120,000		338	230,676
M. Frances Keeth	95,000	120,000			215,000
Henry E. Lentz	95,000	120,000			215,000
Robert A. Malone*	105,000	120,000		247	225,247
William C. Rusnack*	110,000	120,000			230,000
John F. Turner	95,000	120,000			215,000
Sandra Van Trease	100,000	120,000			220,000
Alan H. Washkowitz*	110,000	120,000			230,000

\* Committee Chair

(1) Under our compensation program for Directors, annual retainer fees may be taken in the form of deferred stock units. For 2011, Mr. Coley and Mr. Karn elected to receive their annual retainer fees in the form of deferred stock units.

(2) Amounts in the Stock Awards and Option Awards columns represent the grant date fair value of awards granted in 2011 as computed in accordance with FASB ASC Topic 718. A discussion of the relevant fair value assumptions is set forth in note 17 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. We caution that the amount ultimately realized from the deferred stock units will vary based on a number of factors, including our actual operating performance, stock price fluctuations and the timing of sales.

(3) As of December 31, 2011, the aggregate number of unvested deferred stock units for each non-employee director was as follows: Mr. Coley, 10,233; Mr. James, 3,740; Mr. Karn, 5,290; Mrs. Keeth, 8,145; Mr. Lentz, 5,175; Mr. Malone, 5,102; Mr. Rusnack, 3,740; Mr. Turner, 3,740; Ms. Van Trease, 7,093; and Mr. Washkowitz, 7,093.

(4) As of December 31, 2011, the aggregate number of stock options outstanding for each non-employee director was as follows: Mr. Coley, 7,521; Mr. James, 12,046; Mr. Karn, 12,046; Mrs. Keeth, 0; Mr. Lentz, 7,521; Mr. Malone, 0; Mr. Rusnack, 19,641; Mr. Turner, 7,413; Ms. Van Trease, 7,521; and Mr. Washkowitz, 16,377. Currently, the annual equity compensation for Nonemployee directors does not include the use of stock options.

(5) Amounts represent trips where a spouse accompanied the non-employee director on our corporate aircraft for Company business purposes. Represents the aggregate incremental cost to us of use of our corporate aircraft as determined on a per flight basis, including the cost of fuel, landing fees, the cost of in-flight meals, sales tax, crew expenses, the hourly cost of aircraft maintenance for the applicable number of flight hours, and other variable costs specifically incurred. Under our share ownership requirements for directors, each non-employee director is required to acquire and retain Common Stock having a value equal to at least five times his or her annual cash retainer. Until the specified ownership level is achieved, non-employee directors are required to retain the net after-tax profit shares from restricted stock vesting, deferred stock unit vesting or stock option exercises. Once non-employee directors own shares at the required level they may sell shares in excess of the required level, outside of blackout periods or other such restrictions applying to directors and executive officers.



**Table of Contents**

The following table summarizes the ownership of our Common Stock as of March 1, 2012 by each of our current non-employee directors.

Name <sup>(1)</sup>	Ownership Requirements, Relative to Annual Retainer <sup>(1)(2)</sup>	Ownership Relative to Annual Retainer March 1, 2012 <sup>(1)</sup>
William A. Coley	5x	7.6x
William E. James	5x	9.2x
Robert B. Karn III	5x	8.4x
M. Frances Keeth <sup>(4)</sup>	5x	3.8x
Henry E. Lentz	5x	5.8x
Robert A. Malone <sup>(4)</sup>	5x	2.8x
William C. Rusnack	5x	6.9x
John F. Turner	5x	5.0x
Sandra Van Trease	5x	9.4x
Alan H. Washkowitz	5x	5.8x

(1) Mr. Boyce's stock ownership is shown in the table for the named executive officers.

(2) Includes deferred stock units. Value is calculated based on the closing market price per share of our Common Stock on March 1, 2012, \$35.17. The base annual cash retainer for the non-employee directors in 2012 is \$110,000.

(3) Ownership requirements changed from 3X to 5X on January 1, 2011.

(4) Mrs. Keeth joined the Board in March 2009 and Mr. Malone joined the Board in July 2009.

*Non-Employee Director Compensation Changes for 2012*

To simplify and enhance the overall competitiveness of the non-employee director compensation program, beginning in 2012 non-employee directors will receive an annual cash retainer of \$110,000. We have discontinued the additional annual \$10,000 cash retainer for non-employee directors who serve on more than one committee.

The Chairpersons of the Audit Committee and the Compensation Committee will continue to receive an additional annual \$15,000 cash retainer. The Chairpersons of the Health, Safety, Security and Environmental Committee and the Nominating and Corporate Governance Committee will each continue to receive an additional annual \$10,000 cash retainer. We have discontinued the additional annual \$5,000 cash retainer for other Audit Committee members.

The value of the annual equity compensation grants for non-employee directors will increase from \$120,000 to \$130,000, awarded in deferred stock units (based on the fair market value of our Common Stock on the date of grant).

Beginning in 2012, non-employee directors have the opportunity to participate in our Matching Gifts Program at the same level and guidelines afforded to our full-time employees.

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

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Messrs. Coley, James, Karn and Malone and Mrs. Keeth currently serve on the Compensation Committee. None of these committee members is employed by us. In addition, none of our executive officers serves as a member of the board of directors or compensation committee of any entity which has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.



**Table of Contents**

**POLICY FOR APPROVAL OF RELATED PERSON TRANSACTIONS**

Pursuant to a written policy adopted by the Board of Directors, the Nominating and Corporate Governance Committee is responsible for reviewing and approving all transactions between us and certain related persons, such as our executive officers, directors and owners of more than 5% of our voting securities. In reviewing a transaction, the Committee considers the relevant facts and circumstances, including the benefits to us, any impact on director independence and whether the terms are consistent with a transaction available on an arms-length basis. Only those related person transactions that are determined to be in (or not inconsistent with) our best interests and the best interests of our shareholders are permitted to be approved. No member of the Committee may participate in any review of a transaction in which the member or any of his or her family members is the related person. A copy of the policy can be found on our website ([www.peabodyenergy.com](http://www.peabodyenergy.com)) by clicking on Investors, then Corporate Governance, and then Board of Directors Committee Charters and is available in print to any shareholder who requests it. Information on our website is not considered part of this Proxy Statement.

**RATIFICATION OF APPOINTMENT OF**

**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**(ITEM 2)**

The Board of Directors has, upon the recommendation of the Audit Committee, appointed Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012, subject to ratification by our shareholders. While the Audit Committee is responsible for the appointment, compensation, retention, termination and oversight of the independent registered public accounting firm, the Audit Committee and the Board are requesting, as a matter of policy, that the shareholders ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm. The Audit Committee is not required to take any action as a result of the outcome of the vote on this proposal. However, if our shareholders do not ratify the appointment, the Audit Committee may investigate the reasons for shareholder rejection and may consider whether to retain Ernst & Young LLP or to appoint another independent registered public accounting firm. Furthermore, even if the appointment is ratified, the Audit Committee in its discretion may appoint a different independent registered public accounting firm at any time during the year if it determines that such a change would be in our best interests and the best interests of our shareholders.

Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. Such representatives will have an opportunity to make a statement, if they so desire, and will be available to respond to appropriate questions by shareholders. For additional information regarding our relationship with Ernst & Young LLP, please refer to Report of the Audit Committee and Fees Paid to Independent Registered Public Accounting Firm on pages 17 and 18.

**The Board of Directors recommends that you vote FOR Item 2, which ratifies the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012.**

**Table of Contents**

**ADVISORY RESOLUTION TO APPROVE**

**NAMED EXECUTIVE OFFICER COMPENSATION**

**(ITEM 3)**

At the 2011 Annual Meeting, shareholders were provided the opportunity to cast an advisory vote to approve the compensation of our named executive officers, also commonly known as a say on pay vote. Our shareholders overwhelmingly approved of our performance-based executive compensation program, with 96% of the votes cast in favor of the resolution. At the 2011 Annual Meeting, shareholders were also asked to recommend how often shareholders should be given the opportunity to cast a say on pay vote. Over 73% of the votes cast were for the Every Year option and this option was later approved by the Board. As a result, we are again providing shareholders the opportunity to vote on an advisory resolution to approve compensation of our named executive officers.

As described in detail under the heading Compensation Discussion and Analysis, the objectives of our executive compensation program are to attract, retain and motivate key executives to enhance long-term profitability and create shareholder value. The program is designed with a focus on safety, financial and operating performance while also recognizing the individual and team performance of each named executive officer in achieving our business objectives. Please read the Compensation Discussion and Analysis for additional details about our executive compensation programs, including information about the 2011 compensation of our named executive officers.

During 2011, the Compensation Committee, in consultation with its independent compensation consultant, undertook a competitive market review of our compensation program for our named executive officers and other company officers and concluded that the current compensation opportunities are competitive with comparator groups and that the performance-based program is effective in driving results and delivering returns to shareholders. The Committee did make certain changes to our compensation program, as outlined under the heading Compensation Discussion & Analysis 2011 Compensation Program Changes .

We are asking our shareholders to indicate their support for our named executive officer compensation as described in this Proxy Statement. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this Proxy Statement. Accordingly, we will ask our shareholders to vote FOR the following resolution at the Annual Meeting:

RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2012 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure.

The say-on-pay vote is advisory and therefore not binding on us, the Board of Directors or the Compensation Committee. The Board and the Compensation Committee value the opinions of our shareholders and will consider their concerns, if any, and evaluate whether any actions are necessary to address those concerns.

**The Board of Directors recommends that you vote FOR Item 3, the approval, on a nonbinding basis, of the compensation of our named executive officers as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC.**

**Table of Contents**

**SHAREHOLDER PROPOSAL AND COMPANY'S STATEMENT IN OPPOSITION**

**Shareholder Proposal Regarding Lobbying (Item 4)**

This proposal was submitted by the AFL-CIO Reserve Fund (the "AFL-CIO"), 815 Sixteenth Street, N.W., Washington D.C. 20006. The AFL-CIO has represented that it is the beneficial owner of 400 shares of our Common Stock, and has advised the Company that it intends to submit the following proposal at the Annual Meeting. **The words "we" and "our" in the Proposal and the Supporting Statement mean the AFL-CIO, not the Company:**

***Proposal Submitted by AFL-CIO***

**Whereas**, corporate lobbying exposes our company to risks that could affect the company's stated goals, objectives, and ultimately shareholder value, and

**Whereas**, we rely on the information provided by our company to evaluate goals and objectives, and we, therefore, have a strong interest in full disclosure of our company's lobbying to assess whether our company's l