

PEABODY ENERGY CORP
Form DEF 14A
March 20, 2012
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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)

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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.

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

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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

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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;

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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 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

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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.

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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.

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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.

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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

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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.

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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

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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

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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.

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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.

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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) by clicking on Investors,

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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.

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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.

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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);

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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.

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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

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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,

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(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) 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

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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

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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

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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 ⁽¹⁾	Amount and Nature	
	of Beneficial Ownership ⁽²⁾⁽³⁾⁽⁴⁾	Percent of Class ⁽⁵⁾
BlackRock, Inc. ⁽⁶⁾ 40 East 52nd Street New York, NY 10022	29,930,987	11.0%
T. Rowe Price Associates ⁽⁷⁾ 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.

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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

Named Executive Officer	Title	Years of Service
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	