

PEABODY ENERGY CORP
Form DEF 14A
March 25, 2014

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
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- 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):

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3) Filing Party:

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SEC 1913 (02-02)

March 25, 2014

Dear Shareholder:

You are cordially invited to attend the 2014 Annual Meeting of Shareholders of Peabody Energy Corporation, which will be held on Thursday, May 8, 2014, at 10:00 a.m., Central Time, at The Ritz-Carlton, St. Louis, 100 Carondelet Plaza, Clayton, Missouri.

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

1. Election of 12 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, 2014;
3. Advisory resolution to approve named executive officer compensation; and
4. 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 business 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 our 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 ir@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 8.

Very truly yours,

GREGORY H. BOYCE

Chairman and Chief Executive Officer

PEABODY ENERGY

Peabody Plaza

701 Market Street

St. Louis, MO 63101-1826

NOTICE OF 2014 ANNUAL MEETING OF SHAREHOLDERS

Peabody Energy Corporation (the Company) will hold its Annual Meeting of Shareholders at The Ritz-Carlton, St. Louis, 100 Carondelet Plaza, Clayton, Missouri, on Thursday, May 8, 2014, at 10:00 a.m., Central Time, to:

1. Elect 12 Directors for a one-year term;
2. Ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014;
3. Vote on an advisory resolution to approve named executive officer compensation; and

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

The Board of Directors has fixed March 14, 2014 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 271,326,394 shares of Common Stock outstanding.

If you own shares of Common Stock as of March 14, 2014, 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.

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 25, 2014

IMPORTANT INFORMATION IF YOU PLAN TO ATTEND THE ANNUAL MEETING:

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An admittance card or other proof of ownership, together with valid government-issued photo identification such as a driver's license or passport, 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 most recent brokerage statement) to the Annual Meeting. Please note that seating in the meeting room is limited and you may be required to view the meeting from an overflow room.

PEABODY ENERGY CORPORATION 1

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PROXY STATEMENT SUMMARY

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider. You should read the entire Proxy Statement carefully before voting. For more complete information regarding our 2013 operating performance, please review our Annual Report on Form 10-K.

2014 Annual Meeting of Shareholders

§ **Date and Time:** May 8, 2014, 10:00 a.m., Central Time

§ **Place:** The Ritz-Carlton, St. Louis, 100 Carondelet Plaza, Clayton, Missouri

§ **Record Date:** March 14, 2014

§ **Voting:** Shareholders as of the close of business on the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on.

§ **Common Shares Outstanding as of Record Date:** 271,326,394

§ **Registrar & Transfer Agent:** American Stock Transfer & Trust Company, LLC

§ **State of Incorporation:** Delaware

Meeting Agenda and Voting Recommendations

	Our Board's Recommendation
Election of Directors (page 14)	FOR each nominee
Ratification of Auditors (page 67)	FOR
Advisory resolution to approve named executive officer compensation (page 68)	FOR
Consider other business that properly comes before the meeting	

Our Director Nominees

Name	Age	Director Since	Principal Occupation	Committee Memberships					Other Public Company Boards
				A	C	E	HSSE	NCG	
Gregory H. Boyce	59	2005	Chairman and Chief Executive Officer			Ch			2
Robert A. Malone*	62	2009	Lead Independent Director,		M	M			1

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			Former Executive Vice President, BP plc and Former Chairman and President, BP Americas Inc.						
William A. Coley*	70	2004	Former Chief Executive Officer,	Ch	M	M		0	
William E. James*	68	2001	British Energy Group plc Managing General Partner,	M			M	1	
Robert B. Karn III*	72	2003	Rockport Capital Partners LLC Former Managing Partner,	M	M			1	
Henry E. Lentz*	69	1998	Arthur Andersen LLP Former Managing Director,				M	Ch	4**
William C. Rusnack*	69	2002	Lazard Freres & Co. LLC Former President and Chief	Ch	M		M	2	
Michael W. Sutherlin*	67	2014	Executive Officer, Premcor Inc. Former President and Chief				M	1	
			Executive Officer, Joy Global, Inc.						

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PROXY STATEMENT SUMMARY (continued)

Name	Age	Director Since	Principal Occupation	Committee Memberships					Other Public Company Boards
				A	C	E	HSSE	NCG	
John F. Turner*	72	2005	Former U.S. Assistant Secretary of State for the Bureau of Oceans and International Environmental and Scientific Affairs				M	M	3
Sandra A. Van Trease*	53	2003	Group President, BJC Healthcare	M			Ch		1
Alan H. Washkowitz*	73	1998	Former Managing Director, Lehman Brothers Inc.	M				M	1
Heather A. Wilson*	54	2013	President, South Dakota School of Mines and Technology				M	M	0

*** Independent Director**

A Audit

C Compensation

E Executive

HSSE Health, Safety, Security and Environmental

NCG Nominating and Corporate Governance

M Member

Ch Chair

** Mr. Lentz will retire from the board of directors of Rowan Companies PLC on April 25, 2014.

Governance Highlights

Good corporate governance is a priority at Peabody. Highlights include:

- ü 11 of 12 Director Nominees are Independent

- ü Annual Election of All Directors

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- ü Majority Voting in Director Elections

- ü Lead Independent Director

- ü Structured Process for Board Risk Oversight

- ü Active Shareholder Outreach

- ü No Poison Pill

- ü Executive Compensation Clawback Policy

- ü Hedging and Pledging of Company Stock Prohibited

Executive Compensation Program Highlights

Our executive compensation practices for our named executive officers (NEOs) are designed to drive performance and align with our shareholders' long-term interests. Highlights include:

- ü Conduct ongoing shareholder engagement to seek feedback on our executive compensation program, disclosure practices and corporate governance

- ü Utilize performance-based (versus time-based) equity vehicles for most NEO long-term incentive awards

- ü Provide reasonable post-employment and change in control provisions through employment agreements and an Executive Severance Plan

- ü No excise tax gross-ups in new employment agreements

- ü Conduct annual review of executive compensation program design, market competitiveness and best practices

- ü Transition away from employment agreements to at will employment for all executive officers

- ü Conduct periodic reviews to minimize any features of our compensation program that might encourage undue risk-taking

- ü Prohibit re-pricing of underwater stock options

- ü Periodically review executive compensation tally sheets, which summarize all current and future compensation opportunities, in making compensation decisions

PROXY STATEMENT SUMMARY (continued)

- ii Maintain share ownership requirements for NEOs which reinforce our strong focus on executive stock ownership and shareholder alignment
- ii Provide limited perquisites (such as security-related travel arrangements for our Chairman and CEO, relocation and tax preparation and equalization services) only where business necessity dictates
- ii Retain an independent compensation consultant and independent legal counsel to provide guidance and support to the Compensation Committee and the independent members of the Board (the Special Committee)

New in 2014

- ii Included double-trigger change in control provisions in new NEO equity award agreements
- ii Updated share ownership program requirements to ensure no sales of Common Stock by an executive officer if he or she does not meet the applicable ownership level
- ii Amended our equity award plans to reflect our long-standing policy prohibiting cash buyouts of underwater stock options or stock appreciation rights
- ii Updated annual incentive performance metrics to include volume and cost components to better align performance across all global geographies
- ii Decreased annual incentive plan individual objectives weighting from 45% to 25% to further align annual incentive awards with objective safety and financial metrics
- ii Updated 2014 performance unit award metrics to include Return on Mining Assets metric at a 50% weighting to supplement and balance the total shareholder return (TSR) metric
- ii Revised the performance and payout range for 2014 performance unit awards to provide that the maximum payout cannot exceed 100% if TSR performance is at or above the 50th percentile but is negative
- ii Updated the compensation peer group to validate the integrity of its composition and appropriateness of use for compensation comparisons
- ii Updated the performance unit coal comparator group by adding the Market Vectors Coal Index to reflect the global nature of our business and better align comparisons between coal comparators and the S&P 500 Index (excluding financial services companies)

2013 Company Performance Highlights

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In 2013, we achieved solid financial and operating results, despite market conditions that were impacted by significant price declines for most key coal products due to increased supplies globally and elevated utility inventories in the U.S.

Key safety, financial and operating highlights include:

- ü We marked a 1.87 global safety incidence rate, which was significantly better than the most comparable U.S. industry measure
- ü We delivered Adjusted EBITDA of \$1.05 billion, despite lower realized pricing of nearly \$800 million
- ü We implemented aggressive cost containment efforts that resulted in our lowest level of U.S. operating costs per ton in two years and reduced our Australian operating costs per ton by 4 percent to levels not seen since 2010
- ü We successfully converted four Australian mines to owner-operator status, which resulted in significant cost savings at these mines
- ü We delivered strong operating cash flows in excess of \$700 million and lowered capital expenditures by 67%, allowing for more than \$200 million in debt reduction during the year
- ü We refinanced our credit facility, which extended the maturity of the facility to 2018 while increasing the company's financial flexibility and liquidity, which ended the year at \$2.1 billion
- ü We increased U.S. productivity nearly 9 percent and Australian productivity 27 percent, shipping a record 35 million tons from Australia
- ü We earned 25 awards for safety, financial performance, environmental excellence and social responsibility

PROXY STATEMENT SUMMARY (continued)

Among the most challenging aspects of our business are managing through short-term business cycles and sharp temporary market downturns.

In the highly cyclical coal business, markets and share values can move rapidly. Historically, this has led to significant outperformance to broader indices during strong market conditions and exaggerated underperformance during times of market weakness. Over the past decade, our annual TSR was among the top 25 performers in the applicable S&P Index in three years and also within the bottom 25 performers in three years.

Ongoing weakness in U.S. thermal and global seaborne coal prices was the largest driver of a decline in our Adjusted EBITDA and share price over the last several years. In 2013, lower coal prices resulted in declining coal equities across all major global markets. We remain well positioned in the low cost U.S. basins and high-growth Asian market, and led our NYSE-listed coal peers in coal revenues, debt reduction and cash generation in 2013.

Adjusted EBITDA, which is defined on page 37, is a financial measure that is not recognized in accordance with U.S. generally accepted accounting principles (GAAP). A reconciliation of Adjusted EBITDA to its most comparable measure under U.S. GAAP is included in Note 27, Segment and Geographic Information, of the consolidated financial statements included in our 2013 Annual Report to Shareholders.

2013 Executive Compensation Program

For 2013, the principal components of NEO compensation were:

1. Annual base salary;
2. Annual cash incentive compensation;
3. Long-term equity incentives; and
4. Retirement and other broad-based benefit programs provided on the same basis as other employees.

The graph below illustrates the mix of target compensation determined by the Compensation Committee and the Special Committee (the Committees). For purposes of the graph, target compensation includes base salary and target annual incentive and long-term incentive awards, and excludes special awards such as the restricted stock units granted to our Chairman and CEO pursuant to his April 2013 transition agreement with us. These special awards are intended to facilitate an effective leadership succession and are not part of our regular compensation program.

Compared with the Industrial comparator group described on page 44, a greater portion of our target total direct compensation program is performance based and at-risk. The Committees believe that this overall mix provides an effective delivery of total compensation that:

- § Encourages retention, engagement and alignment of NEO compensation;
- § Delivers competitive compensation with variable and performance-based elements exceeding market benchmarks only when performance is strong; and

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- § Maintains a strong link to our performance and shareholder returns through a balanced incentive program whereby a majority of compensation is significantly at risk.

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PROXY STATEMENT SUMMARY (continued)

In 2013, our NEOs achieved annual cash incentive payouts ranging from 90% to 105% of target, based on our performance against the Adjusted EBITDA, Adjusted Diluted EPS and safety incident rate targets discussed on page 36 as well as performance against individual goals as discussed on pages 37-38.

With respect to our performance unit program, our NEOs achieved target performance consistent with our three-year TSR performance relative to our coal comparator group and the Standard & Poor's 500 Index (excluding financial services companies) during the 2011-2013 performance period, and our performance against our Return on Capital targets over the same period, all as described on pages 58-59. However, due to the decline in our share price during the performance period, the value of the shares awarded was only 30% of the grant date target value.

At December 31, 2013, all stock options held by our NEOs other than Mr. Kellow were out of the money and therefore had no currently realizable value.

The Committees believe that the link between our direct compensation program and shareholder returns is best illustrated by comparing our Chairman and CEO's compensation as reported in the Summary Compensation Table (SCT) on page 52 and his realizable and realized pay during 2011, 2012 and 2013.

Reported Compensation vs. Realizable and Realized Pay

Pay reported in the SCT is the total targeted compensation of an NEO in a given calendar year. While the amounts shown in the SCT reflect the grant-date value of equity awards received by an NEO, they do not reflect the impact of stock price performance on realizable and realized compensation which may be considerably more or less based on actual stock price performance.

Realizable and realized compensation better illustrate the alignment between actual total compensation and the shareholder experience, as measured by TSR. The vast majority of SCT compensation is an incentive for future performance and realizable only if we meet or exceed the applicable performance measures. We believe this supplemental information is important because it highlights the differences between SCT compensation and both realizable and realized pay, and the alignment of realizable and realized pay to shareholder value.

Our Chairman and CEO's SCT compensation includes the first of three \$1 million restricted stock unit awards to be made pursuant to his April 2013 transition agreement with us. These awards are intended to facilitate an effective leadership succession and are not part of our regular compensation program.

PROXY STATEMENT SUMMARY (continued)

The following graph illustrates the difference between SCT compensation, realizable pay and realized pay for our Chairman and CEO during 2011, 2012 and 2013. Average three-year total compensation is presented and displays a high level of performance-based and at-risk pay. Average realizable and realized pay was below SCT compensation by 48% and 44%, respectively, for this three-year period. During this same three-year period, our average TSR was a negative 31.9%.

Chairman & CEO Total Compensation

(as reported in Summary Compensation Table vs. Realizable and Realized Pay)

CEO Pay Versus Performance	2011	2012	2013	3-Yr Avg	% Difference from 3-Yr Avg SCT
SCT Compensation	\$ 10.2	\$ 9.5	\$ 10.8	\$ 10.2	
Realizable Pay	\$ 4.9	\$ 4.9	\$ 6.2	\$ 5.3	(48.0)%
Realized Pay	\$ 8.8	\$ 4.6	\$ 3.8	\$ 5.7	(44.1)%
Total Shareholder Return	(47.9)%	(18.6)%	(25.4)%	(31.9)%	

Compensation values are in millions

Measurement	Definition
SCT Compensation	Amount as reflected in the Total column of the SCT.
Realizable Pay	Sum of salary, paid annual incentive, paid performance based equity awards granted in the performance period, target value of unvested performance based equity awards granted in the performance period, value of vested or unvested restricted stock or restricted stock units granted in the performance period, in-the-money value of vested or unvested stock options granted in the performance period and all other compensation as indicated in the SCT; all equity awards are valued at the closing stock price on December 31, 2013.
Realized Pay	Sum of salary, paid annual incentive, value received from vested equity awards during the measurement period (irrespective of when such awards were granted), and all other compensation as indicated in the SCT.

QUESTIONS AND ANSWERS REGARDING THE ANNUAL MEETING

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) 2013 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.

Some 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 solicitation of proxies to be voted at our Annual Meeting of Shareholders, which will take place on May 8, 2014. These materials were first made available on the Internet or mailed to shareholders on or about March 25, 2014. 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 2013 Annual Report to Shareholders, which includes our audited consolidated financial statements.

If you received 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?

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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, Henry E. Lentz, Robert A. Malone, William C. Rusnack, Michael W. Sutherlin, John F. Turner, Sandra A. Van Trease, Alan H. Washkowitz and Heather A. Wilson 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, 2014;
- § Advisory resolution to approve named executive officer compensation; 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, Henry E. Lentz, Robert A. Malone, William C. Rusnack, Michael W. Sutherlin, John F. Turner, Sandra A. Van Trease, Alan H. Washkowitz and Heather A. Wilson 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, 2014 (Item 2); and
- § FOR the advisory resolution to approve named executive officer compensation (Item 3).

QUESTIONS AND ANSWERS REGARDING THE ANNUAL MEETING (continued)

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 Henry E. Lentz, 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.proxyvote.com and following the instructions for Internet voting on your Notice or proxy/voting instruction card;
- § By dialing 1-800-690-6903 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
- § 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 May 7, 2014. 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 14, 2014, 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 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 May 5, 2014, 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

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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 for all matters 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 Computershare, 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.

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QUESTIONS AND ANSWERS REGARDING THE ANNUAL MEETING (continued)

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 May 7, 2014;
- § 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 May 5, 2014 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.

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.

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?

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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 Item 3 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 telephone or send in a completed proxy/voting instruction card before 10:59 P.M. Central Time on May 5, 2014. 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.

QUESTIONS AND ANSWERS REGARDING THE ANNUAL MEETING (continued)

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 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 28.

The proposals to ratify the appointment of Ernst & Young LLP (Item 2) and to approve the advisory resolution on named executive officer compensation (Item 3) 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 will count as a vote against these proposals, 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 14, 2014 may attend the Annual Meeting.

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

A: An admittance card or other proof of ownership, together with valid government-issued photo identification such as a driver's license or passport, is required to attend the Annual Meeting. The registration desk will open at 9:00 a.m. and the meeting will begin at 10:00 a.m. Please note that seating in the meeting room is limited and shareholders may be required to view the meeting from an overflow room.

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, Henry E. Lentz, Robert A. Malone, William C. Rusnack, Michael W. Sutherlin, John F. Turner, Sandra A. Van Trease, Alan H. Washkowitz and Heather A. Wilson 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:

- Ø Broad training, experience and a successful track record at senior policy-making levels in business, government, education, technology, accounting, law, consulting and/or administration;
- Ø The highest personal and professional ethics, integrity and values;
- Ø Commitment to representing our long-term interests and those of all of our shareholders;
- Ø An inquisitive and objective perspective, strength of character and the mature judgment essential to effective decision-making;
- Ø Expertise that is useful to us and complementary to the background and experience of other Board members; and

Ø 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, engineering, 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 individually 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.

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GREGORY H. BOYCE	Board Committees:	Other Public Directorships:
Age: 59	Executive	Marathon Oil Corporation
Director Since: March 2005		Monsanto Company

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 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. Mr. Boyce has extensive engineering and operating experience with Kennecott. He is Chairman of the Coal Industry Advisory Board of the International Energy Agency and is a former Chairman of the National Mining Association. Mr. Boyce serves on the Board of Directors of the U.S. China Business Council, and is a member of the Business Council, Business Roundtable and the National Coal Council. He is a member of 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. He is also President of the Board for Variety The Children's Charity of St. Louis and is a member of the Board of Commissioners of the St. Louis Science Center.

ELECTION OF DIRECTORS (ITEM 1) (continued)

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 Age: 70 Director Since: March 2004	Board Committees:	Other Public Directorships:
	Compensation (Chair)	None
	Executive	
	Health, Safety, Security and Environmental	Former Public Directorships:
		British Energy Group plc
		CT Communications, Inc.
		SouthTrust Bank

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 two private companies, E. R. Jahna Enterprises and Ontario Power Generation.

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 and Health, Safety, Security and Environmental Committees and as Chairman of its Compensation Committee.

WILLIAM E. JAMES Age: 68 Director Since: July 2001	Board Committees:	Other Public Directorships:
	Compensation	Micro Seismic Inc.
	Nominating and Corporate Governance	
		Former Public Directorships:
		Ener1, Inc.

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

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Officer of Citizens Corporation, its for-profit holding company, from 1987 to 1996.

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.

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ELECTION OF DIRECTORS (ITEM 1) (continued)

ROBERT B. KARN, III Age: 72 Director Since: January 2003	Board Committees:	Other Public Directorships:
	Audit	Natural Resource Partners L.P.
	Compensation	Investment Company Directorships:
		Kennedy Capital Management Numerous NYSE-listed closed end mutual and exchange traded funds under the Guggenheim Financial Family of Funds
		Former Investment Company Directorships:
		Fiduciary/Claymore Dynamic Equity Fund

Mr. Karn is a financial consultant and former managing partner in financial and economic consulting with Arthur Andersen LLP in St. Louis. 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'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.

HENRY E. LENTZ Age: 69 Director Since: February 1998	Board Committees:	Other Public Directorships:
	Health, Safety, Security and Environmental	Rowan Companies, Inc.
	Nominating and Corporate Governance (Chair)	(non-executive Chairman)* CARBO Ceramics, Inc. Macquarie Infrastructure Company WPX Energy, Inc.
		*Mr. Lentz is retiring from this

position and the Rowan board of directors on April 25, 2014.

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'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 Health, Safety, Security and Environmental Committee and as Chairman of its Nominating and Corporate Governance Committee.

ELECTION OF DIRECTORS (ITEM 1) (continued)

<p>ROBERT A. MALONE</p> <p>Age: 62</p> <p>Director Since: July 2009</p>	<p>Board Committees:</p> <p>Compensation</p> <p>Executive</p> <p>Lead Independent Director</p>	<p>Other Public Directorships:</p> <p>Halliburton Company</p>
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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 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