

## **Kennametal Inc.**

### **Audit Committee Charter**

#### **Purpose**

The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Kennametal Inc. (the “Company”) is to:

1. Assist the Board in its oversight of:
  - (a) the integrity of the Company’s financial statements.
  - (b) the Company’s compliance with legal and regulatory requirements.
  - (c) the performance, qualifications and independence of the Company’s independent auditors (the “Independent Auditor”).
  - (d) the performance of the Company’s internal audit function, as conducted through the Director, Internal Audit and Risk Management (the “Internal Auditor”).
2. Prepare the report required to be included in the Company’s annual proxy statement, in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”).
3. Provide an open avenue of communication between the Independent Auditor, the Internal Auditor, the Board and management.

#### **Committee Membership**

The Committee shall be comprised of at least three (3) members of the Board, each of whom shall be:

1. Independent, in accordance with the Company’s Corporate Governance Guidelines.
2. Financially literate, as that qualification is interpreted by the Board in its business judgment, or become financially literate within a reasonable period of time after his or her appointment to the Committee.

At least one member of the Committee shall have accounting or related financial management expertise, as the Board interprets such qualification in its business judgment. Notwithstanding the above, each member of the Committee shall meet the independence, experience and any other applicable requirements relevant to audit committee members, as and when required, of the New York Stock Exchange, the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules and regulations of the SEC and any other applicable regulatory authority.

The members of the Committee shall be appointed by the Board on the recommendation of the Nominating/Corporate Governance Committee. Committee members may be replaced by the Board. The Chair of the Committee shall be designated by the Board, or, if it does not do so, the Committee members shall elect a chairperson by vote of a majority of the full Committee.

A member of the Committee may not serve on the audit committees of more than two (2) other public companies, unless the Board determines that such simultaneous service would not impair the member's ability to effectively serve on the Committee, and such determination is disclosed in the Company's annual proxy statement, as and when required under the listing standards of the New York Stock Exchange.

### **Meetings**

The Committee shall meet or hold telephonic meetings as often as it deems appropriate to discharge its duties and responsibilities, but not less frequently than four (4) times each year. The Committee shall meet periodically in separate executive sessions with management (including the Chief Executive Officer, Chief Financial Officer and General Counsel), with the Internal Auditor and with the Independent Auditor, and have such other direct and independent interaction with such persons as from time to time as the Committee deems appropriate. The Committee shall also meet privately in regularly scheduled executive sessions without the presence of any management, the Internal Auditor or the Independent Auditor. The Committee may request any officer or employee of the Company or the Company's outside counsel or other advisor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

### **Duties and Responsibilities**

The Committee shall:

#### **Oversight of the Independent Auditor**

1. Have the sole authority to appoint, retain, terminate and replace the Independent Auditor, subject to shareowner ratification with respect to retention at the next regularly scheduled annual meeting of shareowners.
2. Be directly responsible for the compensation and oversight of the work of the Independent Auditor, including the resolution of disagreements between management and the Independent Auditor regarding financial reporting, for the purpose of preparing or issuing an audit report or performing other audit, review or attest services. The Independent Auditor shall report directly to the Committee and shall be ultimately accountable to the Board and the Committee.
3. Have the sole authority to approve, and shall preapprove, the terms (including compensation) of all auditing services and the terms (including compensation) of any non-audit services which the Independent Auditor or an affiliate of the Independent Auditor are permitted to render under the Exchange Act, with preapproval of such non-audit services subject to the *de minimis* exceptions under the Exchange Act (which services must be approved prior to the completion of the audit).

4. At least annually, obtain and review a report prepared by the Independent Auditor describing:
  - (a) the Independent Auditor's internal quality-control procedures.
  - (b) any material issues raised by the most recent internal quality-control review, or peer review, of the Independent Auditor or by any inquiry or investigation by governmental or professional authorities, within the past five years, regarding one or more independent audits carried out by the Independent Auditor, and any steps taken to deal with any such issues.
  - (c) an assessment of the Independent Auditor's independence, including all relationships between the Independent Auditor and the Company and the disclosures regarding the Independent Auditor's independence required by the Independence Board Standard No. 1, as in effect from time to time or as otherwise required by any rules of the Public Company Accounting Oversight Board.
5. Review and evaluate the qualifications, performance and independence of the Independent Auditor and the lead partner of the Independent Auditor, including:
  - (i) considering whether the Independent Auditor's quality controls are adequate;
  - (ii) considering whether the provision of permitted non-audit services is compatible with maintaining the Independent Auditor's independence; and
  - (iii) taking into account the opinions of management and the Internal Auditor.The Committee shall present its conclusions regarding the Independent Auditor to the Board.
6. Ensure the five-year rotation of the lead (or coordinating) audit partner of the Independent Auditor having primary responsibility for the audit and the audit partner responsible for reviewing the audit, as required by law. Ensure the rotation (seven (7) years of service followed by a two (2) year cooling off period) of all other "audit partners" of the Independent Auditor, as such term is defined by the SEC and as required by applicable law.
7. Set clear hiring policies for any former or current employees of the Independent Auditor, taking into account the prohibitions under the Exchange Act.
8. Review and discuss with the Independent Auditor, prior to the audit, the planning and staffing of the audit, including the scope of, and the audit procedures utilized in, the annual audit and quarterly reviews of the Company's financial statements.

### Oversight of the Internal Auditor

1. Review and concur in the appointment, replacement or dismissal of the head of the Internal Auditor function and the compensation package for such person. The Internal Auditor reports directly to the Committee and the Company's Chief Financial Officer.
2. Evaluate, as it deems necessary or appropriate, the Internal Auditor function and its impact on the accounting practices, internal controls and financial reporting of the Company.
3. Periodically review and discuss with the Internal Auditor, the Independent Auditor and management the responsibilities, budget and staffing of the Company's internal audit function, and any recommendations with respect thereto.
4. Periodically review and discuss with the Internal Auditor the scope of the annual internal audit plan and the results of completed internal audits.

### Oversight of Financial Statements, Internal Controls and Disclosures

1. Periodically review and discuss with the Independent Auditor, the Internal Auditor, the Corporate Controller and management (including the Chief Executive Officer, Chief Financial Officer and General Counsel), as applicable to each (and, where required or appropriate, in separate executive sessions):
  - (a) the Company's annual and quarterly financial statements (including the notes thereto) before their release, including significant accounting and financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and changes in the Company's selection or application of accounting principles.
  - (b) the Company's system of internal control over financial reporting and any material weaknesses or significant deficiencies with respect thereto.
  - (c) management's report on the Company's internal control over financial reporting and the Independent Auditor's report prior to the filing of the Company's Form 10-K.
  - (d) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Company's financial statements.
2. Periodically review and discuss with the Independent Auditor:
  - (a) the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any difficulties the Independent Auditor encountered in the course of its audit work, any

restrictions on the scope of its audit activities or access to requested information, and any significant disagreements with management.

- (b) any accounting adjustments that were noted or proposed by the Independent Auditor and recorded by management or “passed” as immaterial or otherwise; and any significant consultations between the audit team and the Independent Auditor’s national office with respect to matters disclosed to the Committee.
  - (c) any reports or letters issued by the Independent Auditor to the Committee or management letters issued to the Company.
3. Obtain, review and discuss the reports required to be delivered to the Committee by the Independent Auditor on:
- (a) all critical accounting policies and practices used or to be used.
  - (b) all alternative treatments of financial information within generally accepted accounting principles (“GAAP”) that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Independent Auditor.
  - (c) any other material written communications between the Independent Auditor and management.
4. Review disclosures made to the Committee by the Chief Executive Officer and Chief Financial Officer during their certification process for the Form 10-K and Form 10-Q about any significant deficiencies in the design or operation of internal control over financial reporting or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company’s internal control over financial reporting.
5. Review and discuss with management financial risk exposures of the Company and management’s initiatives to monitor and control such exposures, including the Company’s guidelines and policies governing the process by which risk management and assessment is undertaken.
6. Review and discuss with management earnings press releases, including the use of “pro forma” or “adjusted” non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. The Committee’s responsibility to discuss earnings releases as well as financial information and earnings guidance may be done generally prior to release (i.e. discussion of the types of information to be disclosed and the type of presentation to be made).
7. Based upon the review and discussions of the relevant matters described in the Committee’s report required by the rules and regulations of the SEC, recommend to the Board whether the audited financial statements of the Company should be included in the Company’s Annual Report on Form 10-K.

8. Prepare the report required to be included in the Company's annual proxy statement, in accordance with the rules and regulations of the SEC.

#### Oversight of Compliance Matters

1. Obtain and review reports from the Internal Auditor and management that the Company and its subsidiaries and foreign affiliated entities are in conformity with applicable legal requirements and the Company's Code of Business Ethics and Conduct.
2. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Business Ethics and Conduct.
3. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.
4. Review and discuss with the Independent Auditor, the Internal Auditor and management any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.
5. Inquire of the Independent Auditor whether Section 10A(b) of the Exchange Act concerning audit discoveries has been implicated.
6. Ensure that periodic reports from management and the General Counsel regarding compliance matters are delivered to the Committee, or, in the Committee's discretion, to the Board.
7. Review and discuss with the General Counsel legal matters that may have a material impact on the Company's financial statements or compliance policies.

#### Other Functions

The Committee shall:

1. Investigate any matter brought to its attention within the scope of its duties and responsibilities, as it deems necessary or appropriate.
2. Have the authority to engage independent legal, accounting or other advisors, at the Company's expense, as it deems necessary or appropriate.
3. Determine, and the Company shall provide for, appropriate funding for payment of: (i) compensation to the Independent Auditor for the purpose of preparing or issuing an audit report or performing other audit, review or attest services; (ii) compensation to any advisors engaged by the Committee under 2. above; and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

4. Develop and adopt, where appropriate, policies and procedures for carrying out its duties and responsibilities.
5. Perform an annual performance self-evaluation of the Committee, the results of which shall be submitted to the Nominating/Corporate Governance Committee and the Board.
6. Report to the Board on a regular basis and review with the Board any issues that arise with respect to: (i) the quality or integrity of the Company's financial statements; (ii) the Company's compliance with legal or regulatory requirements; (iii) the performance, qualifications and independence of the Independent Auditor; or (iv) the performance of the Internal Auditor.
7. Have the authority to delegate any of its duties and responsibilities (or functions) to a subcommittee of the Committee consisting of one or more members, as appropriate, including the authority to grant preapprovals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant preapprovals shall be presented to the full Committee at its next scheduled meeting for ratification.
8. Review and reassess its charter annually and recommend any changes to the Board for approval.
9. Perform such additional activities, and consider such other matters, within the scope of its responsibilities, as the Committee or the Board deems necessary or appropriate.

#### **Limitation of the Committee's Role**

Notwithstanding the duties and responsibilities of the Committee set forth in this charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management and the Independent Auditor. Moreover, the designation of any member of the Committee as an "audit committee financial expert" does not: (i) impose on such person any duties, obligations or liabilities that are greater than the duties, obligations and liabilities imposed on any member of the Committee not so designated; (ii) deem such person an "expert" for any purpose, including without limitation for purposes of the Securities Act of 1933; and (iii) affect the duties, obligations or liabilities of any other member of the Committee or the Board.

AMENDED AND RESTATED: December 2007