



***Code of Business  
Ethics and Conduct***

## **Code of Business Ethics and Conduct**

This booklet is available in several languages and is being distributed to Kennametal's directors, officers and employees around the world. If you have knowledge of any activity that is or may be a violation of the Code of Business Ethics and Conduct, you must report such activity promptly to the Office of Ethics and Compliance:



**1600 Technology Way  
P. O. Box 231  
Latrobe, PA, U.S.A. 15650-0231  
Phone (724) 539-4031  
Fax (724) 539-3839  
Email: [k-corp.ethics@kennametal.com](mailto:k-corp.ethics@kennametal.com)**

**Alternatively, you may call the toll-free HELPLINE (1-877-781-7319), which can be utilized on an anonymous and confidential basis, 24 hours a day.**

**Dear Kennametal Colleagues,**

At Kennametal, we have always been committed to operating our business with the utmost integrity and the highest ethical standards. We treat each other, our customers, suppliers and others fairly and honestly in all of our dealings.

As a global competitor with a presence in over 60 countries, we operate in a very diverse work environment. Our diversity is what makes us strong, but at the same time can present challenging situations. The Kennametal Code of Business Ethics and Conduct is your guide to identifying these situations and the tool to help you learn how to appropriately handle them. Ethics is at the core of our Kennametal Value Business System (KVBS), a set of best practice processes that drives everything we do. By consistently applying KVBS throughout the organization, we ensure that all of us fully understand our values and have the processes required to implement our strategies.

In order to maintain our excellent reputation as an ethical and law-abiding corporate citizen, we must continue to conduct our business in accordance with the law and the highest standards of ethical behavior. Therefore, as a Kennametal employee, you are expected to know and follow the Business Code of Ethics and Conduct as a condition of your employment.

We want to be sure you have the tools necessary to ethically do your job. To this end, we have increased investment in training, created a Business Ethics and Conduct Center (BECC) along with our HELPLINE, and have hired a manager of ethics and compliance who is available at anytime to consult with you should you encounter a troubling situation.

All of us, at every level, must question any transaction or event that seems improper, illegal or unethical. If you come across a situation that presents an ethical question, you should discuss it with your supervisor, human resources representative, company lawyer or the ethics and compliance manager. If you prefer, you may also contact the HELPLINE.

We all have a vested interest in maintaining the reputation and well-being of our company and its employees. The Board of Directors and I appreciate your continued commitment to ethical action, which has made Kennametal a respected company worldwide and a great place to build a career. Keep up the good work.

Sincerely,



Carlos M. Cardoso  
President and CEO



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## **ETHICS IS GOOD BUSINESS**

Our policies are designed to proactively promote ethical behavior, to protect the valued reputation of our Company and our directors, officers and employees, to help us operate as good corporate citizens around the world and to continue to demonstrate that we can be successful while maintaining Kennametal's values, which have served us well over the years.

Kennametal expects to be successful in the marketplace because of the quality and integrity of our directors, officers and employees and the products and services we provide. We expect our customers, suppliers, business partners and others with whom we do business to operate similarly.

Each of us is responsible for our own actions and for complying with the policies set forth in this Code. Personal consequences for violations of this Code are serious and can include termination and/or legal action.

## **FAIR DEALING**

As a responsible company, we recognize that our continuing success depends on the contributions and effectiveness of all of our directors, officers and employees around the world. Maintaining an atmosphere in which this success is assured requires strict adherence to the highest standards of conduct in all of our relationships.

All of our dealings with fellow directors, officers, employees, customers, suppliers, competitors, visitors, neighbors in the communities in which we operate and any others with whom we come in contact as representatives of Kennametal are based on mutual respect, trust and honesty, and we must endeavor to treat such individuals fairly. We must not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, intentional misrepresentation of facts or any other unfair practice.

## **COMPLIANCE WITH LAWS, RULES AND REGULATIONS**

Kennametal takes a proactive stance on compliance with all applicable laws, rules and regulations of national, state, provincial and local governments, and other appropriate private and public regulatory agencies. Accordingly, Kennametal requires its directors, officers and employees to comply with all applicable laws, rules and regulations, including insider trading and antitrust laws, as discussed elsewhere in this Code. Kennametal also requires its directors, officers and employees to comply with the following:

**Prohibition on Fraud:** We must adhere to honesty as the best policy. Kennametal strictly prohibits any fraudulent activity, including any act that constitutes cheating, stealing, deceiving or lying. We must act in good faith, responsibly, with due care, competence and diligence, without intentionally misrepresenting facts or allowing independent judgment to be subordinated.

**Equal Opportunity:** Kennametal operates under sound and legal personnel policies. Our objective is to be equitable and fair in the treatment of all directors, officers and employees in all situations. This includes, but is not limited to, the following:

- The selection and placement of any individual is based on that individual's qualifications, without regard to race, religion, national origin, sex, age or disability.
- Compensation is in accordance with an individual's contribution to Kennametal, without regard to race, religion, national origin, sex, age or disability.

**Harassment-Free Workplace:** Everyone's continuing commitment is needed to maintain an environment that is free of any form of discrimination or harassment. All employment-related decisions must be based on the needs of the business, individual qualifications, ability, contribution and demonstrated performance.

**Confidential Information Regarding Directors, Officers and Employees:**

In conducting business, it is necessary to collect, maintain and use personal information about directors, officers and employees. Whether by paper or electronic files, only job-related information and personal information related to business, benefits and legal purposes will be collected and maintained. This information will be maintained on a strictly confidential basis, and the privacy of the individual is respected and protected. The use or disclosure of any of this information is limited to required business or legal purposes.

**Environmental, Health and Safety:** The safety and health of all directors, officers and employees is a shared responsibility. We make every effort to provide a workplace free of recognized hazards and to maintain facilities free of the hazards of impairment from the influence of drugs or alcohol.

In all of our relationships, we live within the letter and the spirit of the law. Beyond the law, the best rule to follow is to treat others as you would want to be treated.

## **CONFLICTS OF INTEREST**

It is the policy of Kennametal that no director, officer or employee may engage in any activity that gives rise to an actual or perceived conflict of interest unless such conflict of interest is disclosed to Kennametal and approved by the Law Department after consultation with such members of senior management as appropriate or, with respect to directors and officers, is approved by the Board of Directors or the Nominating/Corporate Governance Committee.

To make the best choices, we must remember that our loyalties are with Kennametal and that we must avoid situations resulting in divided loyalties. We must act with honesty and integrity, avoiding actual or perceived conflicts of interest in personal and professional relationships. A conflict of interest occurs when an individual's private interest interferes in any way, or even appears to interfere, with the interests of Kennametal as a whole. In the performance of our responsibilities, our first obligation and loyalty is to Kennametal. In dealing with customers, suppliers, rivals or competitors, we must not engage in activities that may make it difficult to perform our work objectively and effectively or, directly or indirectly, cast doubt or create even the appearance that we cannot act with complete objectivity concerning the best interests of Kennametal.

### **Conflicts of interest may include, but are not limited to, the following:**

- Receiving improper personal benefits for an individual or such individual's family as a result of your position at Kennametal
- Holding an ownership interest (other than a nominal amount of stock in a publicly-traded company) in any supplier, customer or competitor of Kennametal
- Loaning money to, or borrowing money from, individuals or concerns that do business with or compete with Kennametal, except transactions with banks or other financial institutions in accordance with normal business practices
- Engaging in any outside business activity that is competitive with Kennametal's business
- Receiving any gifts, gratuities, or excessive entertainment fees or payment from any party with which Kennametal has business dealings, except for commonly distributed items of nominal value that are given for promotional purposes and that conform to customary industry practices. (Any gifts that are not of nominal value must be returned immediately and reported to a supervisor. If an immediate return is not practical, the item or items should be given to Kennametal for charitable disposition.)
- Accepting outside employment that adversely affects your work for Kennametal

- Serving on a board of directors of any customer, supplier or competitor of Kennametal, unless such service has been disclosed to Kennametal and approved by senior management
- Using confidential information obtained during your affiliation with Kennametal for personal gain or for the benefit of others

## **PRODUCT INTEGRITY**

Kennametal products must meet all required specifications. There can be no unauthorized substitutions.

Kennametal strives to be the supplier of choice and is committed to providing the best quality, delivery and service. Our reputation depends on diligent adherence to customer and contractual specifications. Any unauthorized deviation could violate the contract and our customers' faith in the integrity of our products.

## **GIFTS AND BRIBES**

Kennametal policy and U.S. federal law prohibit offering, soliciting, giving or accepting bribes or kickbacks, or transferring or receiving money or anything of value which could improperly influence conduct. Punishment is particularly severe for improper payments involving government officials in the United States or abroad. Occasional business meals, social events or souvenirs of nominal value may sometimes be appropriate if reasonably limited in cost and frequency. Specific rules and prohibitions apply to business conducted with government agencies such as the U.S. Department of Defense. Special care must be taken to understand and comply with these rules.

## **CORPORATE OPPORTUNITIES**

Directors, officers and employees of Kennametal owe a duty to Kennametal to advance the Company's interests when the opportunity arises. Accordingly, no director, officer or employee may:

- Take for himself or herself opportunities that are discovered through the use of corporate property or information or such person's position
- Use corporate property, information or such person's position for personal gain
- Compete, directly or indirectly, with Kennametal

## **ANTITRUST AND FAIR TRADE**

Governments have established antitrust and fair trade laws to protect and promote competition. The most serious infractions usually involve collusion among competitors. In some countries, violations of these laws can result in criminal penalties. Whenever legitimate contact with competitors is contemplated, you should seek advice from the Law Department before proceeding.

### **Kennametal policy prohibits:**

- Working with competitors to fix prices or to allocate markets or customers
- Attempts to control the prices at which the Company's distributors or other customers resell our products to others
- Agreements with another person or business not to do business with a third party

Significant business relationships should not be abruptly terminated, especially when new partners are intended to be substituted, without first seeking advice from the Law Department. The best approach is to limit contact with competitors and, when contact is necessary, to avoid discussions about prices or any of the prohibited activities listed here.

### **EXPORT CONTROLS**

There are many instances of controls and restrictions on the import and export of our products, services and technical information. Special restrictions apply to products that could have military applications. In some cases, there are absolute prohibitions or embargoes against trade between some countries and entities. These controls and restrictions also apply to our overseas branches, subsidiaries and affiliates. Economical, political and military events, over which we have no control, can cause rapid changes in these trade restrictions.

The Law Department maintains current information on these trade restrictions and publishes the Kennametal Inc. Corporate Export Policy and related information, which you should consult regularly before doing business in other countries and with certain entities. When new opportunities present themselves, you should review the Corporate Export Control Policy and consult with the Law Department before acting.

### **PUBLIC DISCLOSURES, INSIDE INFORMATION AND COMPANY STOCK TRADING**

Because Kennametal stock is publicly traded, there are specific rules about trading and the disclosure of information, which must be observed by all directors, officers and employees. We must all strive to ensure full, fair, accurate, timely and understandable disclosure in reports that we file with the Securities and Exchange Commission (SEC) and in other public communications.

Applicable law also regulates the manner in which we use and disclose inside information, which primarily includes any material information about the Company that could affect the market price and investor decisions about our stock. Certain individuals will have access to inside

information about Kennametal, which could include the Company's financial performance, negotiations about acquisitions or divestitures, major R&D or new product breakthroughs and the like. This inside information must be held in strict confidence, except when we are authorized or legally obligated to disclose the information.

It is both illegal and against our policy for any individual to profit from undisclosed information relating to Kennametal. Anyone who is in possession of any material inside information that Kennametal has not yet disclosed to the public may not buy or sell Kennametal stock, or advise others to buy or sell Kennametal stock, until the information has been released to the public and enough time (at least 48 hours) has passed to allow investor reaction in the stock market. For example, we must never disclose financial information to anyone outside the Company, including the media, except as expressly authorized. Inquiries of this type should always be referred to the Chief Financial Officer or Investor Relations.

Our policy also prohibits any director, officer or employee from buying or selling, or advising others to buy or sell the securities of any company, including suppliers, competitors or customers, based on information we have that has not been publicly disclosed.

It is clearly against Kennametal policy, and possibly illegal as well, to trade the Company's securities or the securities of any other company in a way that attempts to hide the true identity of the trader or to mislead others as to the identity of the trader. Any individual trading in the Company's securities using fictitious names, names of relatives or friends, or brokerage accounts under fictitious names located in foreign jurisdictions shall be subject to immediate disciplinary action. Similarly, closely related family or household members cannot buy or sell company securities when they have inside information.

The regulations on stock trading and disclosure are sensitive and complex. If you have any questions, you should consult with the Law Department before acting.

## **PROTECTION AND PROPER USE OF COMPANY ASSETS**

All directors, officers and employees should protect Kennametal's assets and ensure their efficient and responsible use. Theft, carelessness and waste have a direct impact on Kennametal's profitability and therefore all of Kennametal's assets should be used for legitimate business purposes.

No employee, officer or director may use Kennametal property or services for any personal benefit or the personal benefit of anyone else. Kennametal realizes that sometimes the line between personal and company benefits is difficult to determine. The only prudent course of conduct for us is to ensure that any use of Kennametal property or services that is not solely for the benefit of Kennametal is approved beforehand by the Law Department.

### **POLITICAL ACTIVITIES AND CONTRIBUTIONS**

Kennametal encourages individual participation in the political process, and recognizes and respects that this is a matter of personal choice. Since our time at work should be devoted to handling our responsibilities, our policy and, in certain cases law, prohibits the use of employees' time at work for political activities.

For similar reasons, and to avoid any appearance of conflicts of interest, our policy also prohibits the use of Company property and assets for political activities and the payment of corporate funds to any political party, candidate or campaign. Any employee, director or officer who has any question about what is or is not proper should consult with the Law Department before engaging in any activity that could be construed as involving Kennametal in any political activity, including any monetary contributions, at either of the federal, state, or local levels, or in any foreign country.

### **ENVIRONMENTAL, HEALTH AND SAFETY**

We make every effort to conduct our business so that our worldwide operations and products do not harm the environment or endanger the health and safety of our employees, customers or the public, and do comply with all applicable laws. We provide our employees and the public with information regarding the environmental, health and safety effects of our products and workplace materials, as well as information on how to handle and use them safely.

Our policy requires strict adherence to laws, regulations and company procedures concerning the handling, use, transportation, storage and disposal of chemicals and hazardous substances. Questions concerning the interpretation of environmental, health and safety issues should be directed to the office of Environment, Health and Safety or the Law Department.

### **ACCOUNTING AND AUDITING MATTERS**

Our financial statements and the books and records on which they are based must accurately reflect all Company transactions. Our policy requires that all receipts and disbursements of funds must be accurately

recorded, and that our records disclose the nature and purpose of all transactions.

It is also our policy to cooperate fully with internal and external auditors and to disclose to them all required information on a timely, complete and accurate basis so that they can help us to ensure compliance with these principles. No person acting on behalf of the Company may attempt to influence, coerce, manipulate or mislead any auditor or accountant engaged in an audit of the Company.

The Company's Audit Committee oversees this area. If you have concerns regarding questionable accounting or auditing matters, you may report your concerns to the Vice President, Secretary and General Counsel or call the HELPLINE, which can be utilized on an anonymous and confidential basis, 24 hours a day.

### **PROTECTION OF CONFIDENTIAL INFORMATION**

Confidential information represents important Company assets and, often, competitive advantages, which we need to protect for the benefit of the Company and all its employees. Directors, officers and employees must maintain the confidentiality of information entrusted to them by Kennametal and its customers, except when disclosure is authorized or legally mandated. We must not use confidential information acquired in the course of our work for our personal advantage. Confidential information includes all non-public information regarding, directly or indirectly, Kennametal. For example, confidential information may include certain technical specifications, product compositions, business plans, non-published financial information, manufacturing methods and processes, customer and employee lists, and computer software.

It is our policy to limit access to this information to those employees who need it to do their jobs and to prohibit the release of this information to anyone outside of the Company without specific authorization from the appropriate manager and the completion of a confidentiality agreement by the person or firm to whom the information is to be provided.

### **INTELLECTUAL PROPERTY**

Patents, copyrights, trademarks and trade secrets are also important and valuable Company assets. It is our policy to protect and respect these assets.

While Kennametal sometimes allows others to purchase or use its intellectual property through formal agreements, we should all be alert to and report the unauthorized use of our business assets by others.

It is also our policy to respect the assets of others. We prohibit the infringement of patents, copyrights, trademarks, computer software, protected writings, products or processes and similar business property rights of others. We do not copy or use these assets without prior formal authorization.

## **DOING THE RIGHT THING**

The principles set forth in this Code cannot identify all situations that require reporting and corrective action. They are intended to alert us all to potential problem situations and to give us all a better understanding of what is expected of us as directors, officers or employees in our business conduct. Problems in these areas can lead to adverse publicity and damage to our reputation, loss of customers, litigation, distractions from doing our jobs, unnecessary expense and even criminal fines or imprisonment.

Kennametal directors, officers and employees want to do the right thing and they should be familiar with the laws and policies concerning standards of business conduct that apply to their jobs. Understanding these guidelines and the laws and regulations that apply wherever we do business is essential to the success and well-being of the Company, employees and their families, customers, suppliers, shareholders and neighbors in the communities in which we live and work.

**Problem Reporting and Resolution:** Trust your instincts. If you encounter a situation that makes you uncomfortable, there may be a real problem, which can be avoided or controlled if you seek prompt assistance. Consult your supervisor, human resources representative, company lawyer, financial controller, or any manager or other employee you trust.

If you have knowledge of any activity that is or may be a violation of this Code, you must report such activity promptly to the Vice President, Secretary and General Counsel:

1600 Technology Way  
P. O. Box 231  
Latrobe, PA, U.S.A. 15650-0231  
Phone (724) 539-4031  
Fax (724) 539-3839

Alternatively, you may call the toll-free HELPLINE (1-877-781-7319), which can be utilized on an anonymous and confidential basis, 24 hours a day.

**No Retaliation:** If, in good faith, you report a suspected violation of this Code or ask questions regarding this Code, you will not be subject to retaliation for doing so. No disciplinary or other retaliatory action will be taken against any director, officer or employee for informing the Company of any violations of this Code.

**Consequences of Violations:** Violations of this Code are subject to discipline. In some cases, discipline will include discharge. In addition, Kennametal may have a legal obligation to bring violations of the Code to the attention of appropriate enforcement authorities (as some violations are also violations of the law). In such cases, civil or criminal penalties may also be imposed.

**Distribution:** Every director, officer and employee of Kennametal will receive a copy of this Code and be asked to sign a statement acknowledging receipt and review of the Code.

**Waivers:** While most of the policies contained herein must be strictly adhered to, in certain cases, exceptions may be possible. Any director, officer or employee who believes that an exception to any of these policies is appropriate in his or her case should contact his or her immediate supervisor or the Law Department. Any waiver of this Code as it relates to directors or officers may only be made by the Board of Directors of Kennametal or the Nominating/Corporate Governance Committee.

**International Coverage:** This Code is not based entirely on the laws, regulations or rules of any particular country. As a global company, we must be sensitive to the requirements of doing business in many countries. The Code reflects the values that have made Kennametal and its directors, officers and employees successful and respected over the years. We can be proud of our record and reputation. Each of us has a responsibility to continue to protect the reputation we have earned.







ACKNOWLEDGEMENT

PLEASE COMPLETE THIS ACKNOWLEDGMENT AND RETURN THE BOTTOM HALF TO YOUR HUMAN RESOURCES MANAGER/REPRESENTATIVE WITHIN 15 DAYS OF RECEIPT. KEEP THE TOP HALF FOR YOUR RECORDS. YOUR TIMELY COOPERATION IS GREATLY APPRECIATED.

I acknowledge that I have received a copy of the Kennametal booklet entitled Code of Business Ethics and Conduct, have read it and understand its contents as it applies to my job.

Print Name \_\_\_\_\_

Division/Location and/or Title \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

Keep this half for your records.



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PLEASE COMPLETE THIS ACKNOWLEDGMENT AND RETURN THE BOTTOM HALF TO YOUR HUMAN RESOURCES MANAGER/REPRESENTATIVE WITHIN 15 DAYS OF RECEIPT. KEEP THE TOP HALF FOR YOUR RECORDS. YOUR TIMELY COOPERATION IS GREATLY APPRECIATED.

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Print Name \_\_\_\_\_

Division/Location and/or Title \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

Return this bottom half to your human resources manager/representative.







 **KENNAMETAL<sup>®</sup>**  
*Engineering Your Competitive Edge*