



# STANDARD PROCEDURE

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TITLE: **Export and Trade Compliance Procedure**

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## SCOPE

This Export and Trade Compliance Procedure (this "Procedure") is effective immediately and supersedes the previous version of the Procedure, which is dated August 25, 2017. It is important to review this Procedure to understand the changes that have occurred since it was last distributed and to reacquaint yourself with this Procedure generally. This Procedure applies to business conducted by Kennametal Inc. and its branches, subsidiaries and affiliates worldwide (hereinafter collectively called "Kennametal").

The focus of this Procedure is on United States law. Laws of other jurisdictions in which Kennametal operates may be applicable and should be observed. In the event of a conflict between United States law and that of another jurisdiction, please contact Kennametal's Office of the General Counsel. It is important to note that this Procedure applies to transfers of items (hardware, software, and technology) or services across borders, whether or not those transfers are between and among Kennametal affiliates or involve third parties. In addition, the Procedure also applies to transfers of technology or software source code that involve foreign persons, as more fully described below.

Kennametal's Trade Compliance Department has implemented an Export Management System, which provides structure and guidance to assure Kennametal's continued compliance with applicable laws. In order to ensure the effectiveness of Kennametal's Export Management System, it is critical that the Trade Compliance Coordinators at each Kennametal facility, as well as all others who are in any way involved in the exportation of products, services and technology, fully understand this Procedure and accept their responsibility to assure full compliance with all aspects of it.

If you have any questions about the effect of this Procedure on any particular proposed transaction, please contact the Trade Compliance Department. Completion and submission of the attached Export and Trade Compliance Review Form will help expedite a review of the matter and will eliminate the delays caused when additional information must be requested.

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## I. TECHNOLOGY TRANSFER

1. The restrictions set forth below apply to the foreign and domestic sale, purchase or transfer by any means of products, components, software and services from all countries, as well as the transfer of the technology to produce, develop and/or use such products.

2. It is important to note that the United States Government views the transfer of the technology to produce, develop or use products as an export that is governed by United States Export Regulations. For this reason, any reference in this Procedure to "products" also includes services and the technical information that would allow a company to produce, develop or use the products. With respect to some types of items, such as defense and military-related items, or transfers which involve sanctioned countries or persons, a broad range of technology and services are controlled, not limited just to technology related to produce, development or use of items.

3. This Procedure also applies to; (a) the transfer of technology and software source code to foreign nationals in the United States (i.e., those who are not U.S. citizens or U.S. lawful permanent residents) and to foreign nationals located at Kennametal locations worldwide; (b) the export from one foreign country to another of certain foreign-made products that incorporate United States content; and (c) trade with restricted and embargoed countries, entities and individuals, as more fully described below.

4. Similarly, without appropriate authorization, Kennametal may not transfer United States technology or know-how to nationals of countries that are otherwise subject to export-licensing requirements for such technology or know-how, regardless of where such transfer occurs. This would include, for instance, the transfer of export-controlled technology within the United States to a foreign national Kennametal employee, to a foreign national on temporary assignment from a non-United States Kennametal affiliate or to a foreign national visiting a Kennametal facility or attending a meeting with Kennametal employees. In light of these restrictions, advance compliance planning must be initiated before approving even the temporary intra-company transfer of non-United States nationals to Kennametal facilities within the United States, as well as the temporary transfer of employees worldwide to countries in which they are not citizens or permanent residents.

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5. For additional information on the compliance planning requirements for such intra-company personnel transfers, please contact the Trade Compliance Department. In addition, restrictions on access to the Kennametal Enterprise Drawing Repository have been implemented in order to avoid the possibility of unauthorized technology transfers to foreign nationals of controlled product drawings.

## II. EMBARGOED AND RESTRICTED COUNTRIES AND RESTRICTED ENTITIES

For various reasons, there are groups of countries with which trade is specifically prohibited or restricted. The transaction of business with these countries, including both the sale/exportation of products to and purchase/importation of products from these countries, is specifically restricted as follows:

### 1. Embargoed Countries –

Country	Prohibitions	Notes
Cuba	All Transactions	1.A
Iran	All Transactions	1.A
North Korea	All Transactions	1.A
Syria	All Transactions	1.A

A. These countries (including their governments, companies and nationals) are subject to comprehensive trade control restrictions, and Kennametal thus does not generally conduct any transactions with or involving these countries. Please contact the Trade Compliance Department or the Office of General Counsel for guidance or with any questions.

### 2. Kennametal Restricted Countries -

Country	Prohibitions	Notes
Afghanistan	End user/End use restrictions	2.A
Armenia	Military and defense end use concerns	2.A
Azerbaijan	Military and defense end use concerns	2.A
Belarus	Military and defense end use concerns	2.A

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Burma/Myanmar	End user/End use restrictions	2.A
Central Africa Republic	Military and defense end use concerns	2.A
China	Military and defense end use concerns	2.C
Congo	Military and defense end use concerns	2.A
Cyprus	End user/End use restrictions	2.A
Eritrea	Military and defense end use concerns	2.A
Guinea	End user/End use restrictions	2.A
Iraq	End user/End use restrictions	2.A
Haiti	End user/End use restrictions	2.A
Lebanon	Military and defense end use concerns	2.A
Libya	Military and defense end use concerns	2.A
Palestinian Territories (West Bank and Gaza Strip)	End user/End use restrictions	2.A
Russia	All military or defense transactions, certain oil and gas transactions	2.B
Somalia	Military and defense end use concerns	2.A
South Sudan	Military and defense end use concerns	2.A
Sri Lanka	Military and defense end use concerns	2.A
Ukraine	All transactions in the Crimea region	2.B
Venezuela	Military and defense end use concerns	2.A
Zimbabwe	Military and defense end use concerns	2.A

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- A. Other countries are subject to trade control restrictions that are more limited in scope. These include full or partial restrictions on defense trade activities with these countries, end-use or end-user based restrictions, limited sanctions, or European trading-related restrictions. For any proposed transactions involving these countries, contact the Trade Compliance Department at [Mike.Waldrop@Kennametal.com](mailto:Mike.Waldrop@Kennametal.com) and include the information requested on the last page of this procedure.
- B. Certain transactions to Russia and the Ukraine are embargoed by both the US and EU.
- For Russia, transactions are related to banking, oil exploration, gas exploration, military and defense.
  - For the Ukraine, ALL transactions to the Crimea Region are prohibited.
  - All transactions to these regions require Trade Compliance review by contacting [Petra.Stockmann@kennametal.com](mailto:Petra.Stockmann@kennametal.com) and include the information requested on the last page of this procedure.
- C. China - While United States law generally permits exports and re-exports of commercial, dual-use items to China, the United States and Europe have implemented a comprehensive arms embargo against China that prohibits, absent a United States Presidential waiver, all exports or re-exports of defense articles, defense services and related technical data to China or to Chinese nationals; all temporary imports into the United States of defense articles from China; and all brokering of defense articles and defense services involving China. In addition, exports and re-exports of more than 30 types of commercial, dual-use items that would not otherwise require United States Government licensing to be exported or re-exported to China require licensing if the exporter knows or has reason to know (or is informed by the United States government) that the item is intended for Chinese military end-use. Because of these requirements, any prospective business with Chinese customers that involves any connection to defense or military applications should be carefully reviewed by the Trade Compliance Department by contacting [Gracie.Gu@kennametal.com](mailto:Gracie.Gu@kennametal.com) and include the information requested on the last page of this procedure in advance of engaging in the business.

### 3. **Restricted Entities** –

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In addition to the embargoed countries and Kennametal Restricted Countries outlined above in 1 and 2, governments periodically issue lists of specific companies, vessels, groups and individuals in many countries with whom trade is prohibited. Targeted comprehensive sanctions are also in place against certain identified persons and entities involved with weapons proliferation, terrorism, narcotics trafficking and other sensitive activities. The relevant lists issued by the various governments are available on-line through the Kennametal intranet at <http://kds.kennametal.com> from all computers connected to the Kennametal network. All new customer and vendor accounts must be screened against each of these lists, prior to initiating any business, to ensure that there are no dealings with or commitments to restricted parties. Periodic rescreening of purchases and sales to existing customers is also recommended as the sanction party lists change often. A note to SAP based transactions, SAP is configured to screen entities when created and when subsequent transactions are executed. If you have any questions related to restricted entities, please contact the Trade Compliance Department or the Office of the General Counsel.

### III. HIGH RISK INDICATORS

1. There are other situations in which proposed transactions must be reviewed by the Trade Compliance Department or the Office of the General Counsel, prior to proceeding to do business. These situations include the following:
  - (a) If the circumstances suggest a risk of diversion to a prohibited or sensitive country destination or end-user; and
  - (b) If there are suspicious or questionable circumstances involved in a sale, such as a lack of the usual information about a proposed transaction, a request to use an unusual route for shipment or unusual product specifications that are inconsistent with the customer's stated end-use of the product.
2. Any situation involving any of the circumstances set forth above, or similar circumstances suggesting the possible diversion to an unintended party, location or end-use, should serve as a red flag or warning and should result in an

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immediate inquiry addressed to the Trade Compliance Department or the Office of the General Counsel prior to proceeding. In such cases, as much information as possible should be provided in advance on the attached Export and Trade Compliance Review Form.

## IV. WEAPONS AND NUCLEAR ACTIVITIES AND TERRORISM

1. United States law and this Procedure restrict Kennametal from engaging in any activity which supports the design, development, production, stockpiling or use of missiles, nuclear weapons, chemical or biological weapons or certain nuclear research or power facilities outside of the United States. If there is any question or suggestion that this might occur, contact the Trade Compliance Department or the Office of the General Counsel immediately.

2. Because of the high concern for activities that may support the proliferation of weapons of mass destruction (including nuclear explosives; chemical and biological weapons; and missiles) and terrorism, no business should be conducted that could provide possible support for such activities or lead to the diversion of products for such purposes.

3. In addition, prior Trade Compliance Department or the Office of the General Counsel approval is required for the import or export (direct or indirect) of products, components, services or technology that are specially designed for or that are to be used in the production, servicing and/or sale of munitions (including ammunition and conventional weapons) and for the manufacture (including the purely domestic manufacture) of any such products or components, including ammunition, firearms, or components of either ammunition or firearms.

## V. ANTIBOYCOTT REGULATIONS

Any request or invitation to Kennametal to participate in the Arab Boycott of Israel (or Boycotts of any other country in which the United States does not participate) must be reported immediately to the Trade Compliance Department or the Office of the General Counsel and not acted upon in any way until guidance is provided. Such requests are most likely to come from Middle Eastern countries and probably would be contained in commercial documents such as requests for quotation, purchase orders, letters of credit or a combination of these documents, although the requests may take any form, and may even be oral. Some examples are as follows: requests to certify that goods are not of

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Israeli origin or requests to agree not to deal with certain “blacklisted” suppliers. Kennametal is required to promptly report to the United States Government such requests received by Kennametal or one of its branches, subsidiaries or affiliates, whether or not such business is actually transacted. All such reporting is coordinated through the Trade Compliance Department and the Office of the General Counsel.

## VI. EXPORT DOCUMENTATION AND LICENSING

1. In addition to the restrictions, considerations and prohibitions under United States law that are discussed above, it is imperative that proper export licensing and documentation procedures be followed with respect to all exports from any country to ensure that they are conducted in accordance with Kennametal’s procedures, the laws of the country from which the export occurs and any other laws that might apply. For example, United States law requires that exports from the United States satisfy certain documentation and other requirements, including, when necessary, the use of a destination control statement on shipping documents and the completion and filing of Electronic Export Information (an Automated Export System record related to an export transaction). In addition, in some cases, it is necessary to apply for and receive prior approval from United States authorities for the export or re-export of certain products or for sales to certain destinations. Governments of other countries have similar export procedures that must also be followed when applicable.
2. All Kennametal personnel who are involved in the exportation or importation of products, including the preparation of export or import documentation, must receive appropriate training, to assure that they understand the requirements associated with exporting products from or importing products into their country. In order to schedule export/import compliance training or to address any questions regarding required documentation, licensing or training, please contact the Trade Compliance Department directly.

If you have any questions at any time concerning this Procedure or its application to a specific transaction, please contact Mike Waldrop, Sr Manager, Ethics and Compliance Programs. by telephone at +(01) 724.539.5147 or by e-mail at [Mike.Waldrop@kennametal.com](mailto:Mike.Waldrop@kennametal.com). The Trade Compliance Department will make every effort to provide you with a prompt answer and will not unreasonably refuse or delay lawful business opportunities.

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Again, this Procedure is to be followed in all cases and will be updated as necessary by the Trade Compliance Department. Compliance with this Procedure and the applicable export, import and other trade compliance laws of the United States and other countries is extremely important! Please distribute this Procedure throughout your organization as appropriate.

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## Export and Trade Compliance Review Form

(Products, Services, Software, and Technology)

All inquiries made for the purpose of requesting a compliance review of transactions, in accordance with Kennametal's Export and Trade Compliance Procedure (Products, Services, and Technology), must contain the following information. For all such inquiries, complete this form and email it to the Kennametal Trade Compliance group or the Office of the General Counsel.

1. Name and location of the Kennametal representative or affiliate who is making the inquiry.
2. Shipping route for the products, including the ultimate country of destination.
3. Name, address, and line of business of the direct customer.
4. Name, address, and line of business of the ultimate end-user of the products, services, or technology and any intermediate user of the products, services, or technology, if different from the customer listed in #3 above.
5. Products, services, or technology being exported and where they originated or were manufactured.
6. Customer's intended end use for the products, services or technology.
7. Value (in U.S. Dollars) of products, services, or technology being exported.
8. The percentage (%) of value stated in #7, above, which represents the U.S. content of the product, if the product was manufactured abroad.

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