



November 17, 2021

Kennametal Inc. Public Due Diligence Report for reporting period from January 1, 2020 to December 31, 2020

The included Public Due Diligence Report, commonly referred to as the Step 5 Report is structured as closely as possible to the *Public Due Diligence Report Writing Guidance* of the Responsible Minerals Assurance Process (RMAP) published by the Responsible Minerals Initiative (RMI) at [www.responsiblemineralsinitiative.org](http://www.responsiblemineralsinitiative.org) under Public Reporting.

### 1. Company Information:

- |                              |                                    |
|------------------------------|------------------------------------|
| a. Company Name:             | Kennametal Inc.                    |
| b. RMI smelter ID number(s): | CID000105                          |
| c. Company Location(s):      | 7300 Madison Blvd., Huntsville, AL |
| d. 3TG material processed:   | Tungsten                           |
| e. Report Period:            | Jan. 1, 2020 – Dec. 31, 2020       |
|                              |                                    |
| a. Company Name:             | Kennametal Inc.                    |
| b. RMI smelter ID number(s): | CID000966                          |
| c. Company Location(s):      | 347 N. Taylor St, Fallon, NV       |
| d. 3TG material processed:   | Tungsten                           |
| e. Report Period:            | Jan. 1, 2020-Dec. 31, 2020         |

### 2. RMAP Assessment Summary

Kennametal Inc. has two tungsten smelting operations, one located in Huntsville, AL and a second located in Fallon, NV. The assessment is valid for three (3) years. The last RMAP audit took place on the below listed dates by Arche Advisors:

Huntsville AL Plant – Assessment Date: November 7, 2018

Fallon, NV Plant – Assessment Date: November 9, 2018

The next assessment is scheduled for January, 2022.

### 3. Company Supply Chain Policy

To avoid the use of conflict minerals, which directly or indirectly finance or benefit armed groups and/or involve other serious human right abuses in high-risk and conflict affected regions, the company has developed a supply chain policy. The supply chain policy covers the risks

identified in Annex II of the OECD Guidance and its geographic scope is global. The company is committed to addressing any Annex II risks if identified. The policy has been widely disseminated to relevant stakeholders and is available on the company website at [www.kennametal.com](http://www.kennametal.com).

#### **4. Company Management Systems**

##### **Management Structure**

The company follows through on its commitments in the supply chain policy and has developed an internal procedure for the due diligence with the following aspects:

- The company has structured its tungsten raw material procurement with the MET Procurement Team led by the Director of Metallurgical Sourcing (Direct-MET) as the Subject Matter Expert (SME). The Director-MET is the gatekeeper for the company and oversees that all purchases of tungsten raw materials are fully documented and that no conflict containing minerals enter the company supply chain. The Director-MET is a board member of the Ti-CMC.
- The company conducts Conflict Mineral Training once a year for key staff from all relevant staff from all relevant departments as required. If there is an update of the program, the company provides communication, updates training material accordingly, and conducts additional training as necessary. A list of those completing training is maintained and reviewed.

##### **Controls and Transparency**

- The company has established/updated its due diligence management system to be aligned with the OECD Guidance.
- The company has a grievance mechanism available to the public via their website and has a procedure and system in place to follow-up on grievances.
- The company conducts intensive legal review of potential contracts and the company has in place a Delegation of Authority to insure oversight.
- All purchases and receipts of material are recorded in our material resource planning system. When material is received each incoming lot is weighed and sampled and labelled. Prior to issuing the material to the plant the material must pass quality control.
- The company requires full documentation on all shipments (e.g. original country of origin certificate, transportation documentation including shipping bills of lading).
- The company uses SAP for tracking and recording of all raw material suppliers from purchase (i.e. entering expected material in SAP), logistics (material receiving and sampling), analyses and consumption. Kennametal uses distinct part numbers for each raw material type which ensure that purchased raw material type per PO is identical to received material type. The company receiving department is highly trained and

experienced in identifying raw material types and any discrepancies are reported to the supply chain manager. All incoming raw materials are sampled and analyzed and any discrepancies between expected and actual received material quality. All discrepancies between expected supply quantity and quality are treated as a “red-flag” and require further review prior to processing at the company.

- The company has updated the Conflict Mineral Policy to be aligned with the OECD Guidance. Compliance to the Conflict Mineral Policy is included in the company purchase order Terms and Conditions.
- The company sources intermediate and downstream containing tungsten products (sodium tungstate, oxide, and tungsten carbide) from other tungsten smelters. We source these products only from smelters that are validated under the Responsible Minerals Assurance Process (RMAP).
- Any issues or concerns related to Kennametal material including responsible sourcing concerns are to be reported directly to the Metallurgical Sourcing Director. In addition, employees and other stakeholders can anonymously communicate their concerns through the Kennametal ethics and compliance grievance hotline.
- Any concerns are taken seriously and are investigated and followed up by the Kennametal Compliance Officer. An Ethics and Case Compliance Procedure is established and followed. Grievances filed are stored for five (5) years.

## **5. Risk Assessment & Identification**

The primary focus is on primary raw materials (tungsten concentrates). Intermediates are solely sourced from RMAP compliant facilities, and unless red flags are found, the company will continue to rely on the assessments of RMI. Material determined to be of secondary nature (recycling) is outside of the scope of responsible sourcing of minerals. Regardless, the company has a robust process to identify risks in the supply chain.

Firstly, referring to the risks in the company’s tungsten supply chain policy, the company has established a procedure to identify Conflict Affected High-Risk Areas (CAHRAs). The procedure includes the resources used, the criteria to define a CAHRA as well as the frequency with which our determination is reviewed. The company uses the following resources to determine CAHRAs:

1. Check the countries of origin, transit and incorporation of its suppliers of non-secondary feed to the APT plant against the “Covered Countries” under Dodd-Frank Act, section 1502;
2. Check those countries or subnational entities against the “EU list”, and
3. Check whether there are other factual circumstances that indicate that the area in question is either a CAHRA by itself or known or suspected to be used to conceal the true origin of tungsten materials from neighboring CAHRAs.

Secondly, new suppliers will only be approved upon a formal review of the supplier. New suppliers are required to comply to a Supplier Code of Conduct. New suppliers are then reviewed against the list of CAHRAs. Existing suppliers are monitored by software.

Thirdly, the company performs an annual Reasonable Country of Origin Inquiry to review the country of origin. The company has a defined approach to risk identification and process management.

During the reporting period the company identified covered countries as those listed in the Dodd-Frank Act as CAHRAs.

## **6. Risk Mitigation**

The company takes a number of actions to mitigate risks:

- The company follows a procedure to mitigate risks if a source is found to be in an identified CAHRA;
- Supplier visits with meeting minutes and a dedicated Metallurgical Sourcing Team to manage sources of supply;
- Annual review of Reasonable Country Inquiry of Origin;
- The company requires suppliers to comply to the Conflict Mineral Statement and Supplier Code of Conduct;
- A procedure to assess high-risk sources of supply is in place;
- Application of supplier monitoring via software to monitor based on sanction lists;

*Mitch Lenhard*

Mitch Lenhard  
Director – Metallurgical Sourcing