



Due Diligence Report – Mistelgau, Germany Plant

May 30, 2023

This is the Public Due Diligence Report for Kennametal Logistics GmbH (hereinafter “Kennametal” or the “Company”) for reporting period from 1 January 2021 to 31 December 2022. Kennametal GmbH is a wholly owned business of Kennametal Inc.

This Public Due Diligence Report, commonly referred to as the Step 5 Report, is structured in accordance with OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (3rd Edition), Supplement on Tungsten and EU Regulation 2017/821 (including Article 4,5,6, and 7 criteria), which is referenced as the “Criteria” going forward.

1. Company Information:

a. Business Name:	Kennametal Logistics GmbH
b. Business Location:	Gewerbegebiet, Eckersdorfer Strasse 10 95490 Mistelgau, Germany
c. 3TG material processed:	Tungsten (Oxide)
d. Reporting Period:	Jan. 1, 2021 – Dec. 31, 2022

2. Assessment Summary

Kennametal has one (1) downstream operation in Germany (see EU Regulation for definition of downstream). This is the first assessment and processes and results were found to be conformant to the Criteria. A certificate of conformance will be awarded and will be made available to the public via the Company website – www.kennametal.com/de. The independent third-party Audit took place on the below listed dates and was performed by SCS Global Services. SCS Global Services performs third-party audits, verifications, and validations globally and has experience in audits related to tungsten. SCS Global Services submitted credentials for the individual Auditors, which were reviewed by the Kennametal Senior Manager and Auditors were deemed to be qualified.

Audit Facility and Date: Kennametal Mistelgau, Germany Plant – Assessment Date: April 18 and April 19, 2023

Kennametal will update the Due Diligence Program upon annual review, if not sooner, to include an annual Audit of the Mistelgau Due Diligence Program. The next assessment is to take place in March 2024, unless changes in the supply chain require a change to the assessment cycle period.

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 Conflict Mineral Supply Chain Policy (“Policy”). The 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 [under "About Us" / "Doing Business with Kennametal."](#)

4. Company Management Systems

Management Structure

The Company follows through on its commitments in the Policy and has developed an internal procedure for the due diligence with the following aspects:

- The Company has structured the tungsten upstream and downstream material procurement with the Metallurgical Procurement and Sourcing Team led by the Director of Metallurgical Sourcing (Director-Metallurgical Sourcing). The Metallurgical Sourcing Team is the gatekeeper for the Company and ensures all purchases of tungsten upstream and downstream materials are fully documented and that no conflict minerals enter the Company supply chain. The Director-Metallurgical Sourcing is a board member of the Tungsten Industry Conflict Mineral Council (Ti-CMC). Maintaining a conflict-free supply chain for the Company is part of the annual goals for the Metallurgical Sourcing Team.
- The Company conducts Conflict Minerals training once a year for relevant employees from all relevant departments as required. A list of employees completing training is maintained and reviewed.

Controls and Transparency

- The Company has established and maintains 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 a Delegation of Authority Policy in place to ensure appropriate review and approval.
- All purchases and receipts of material are recorded in the material resource planning system. When material is received each incoming lot is weighed, 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 ensures 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. 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's Conflict Mineral Supply Chain Policy is aligned with the OECD Guidance. Compliance with the Policy is included in the Company purchase order Terms and Conditions.
- The Company sources intermediate and downstream tungsten products (sodium tungstate, oxide, and tungsten carbide) from other tungsten smelters. Kennametal sources these products only from smelters that are validated under the Responsible Minerals Assurance Process (RMAP), which requires a third-party audit to be performed of the suppliers Due Diligence procedures.
- All issues or concerns related to Kennametal material, including responsible sourcing concerns, are to be reported directly to the Director of Metallurgical Sourcing.
- In addition, internal employees and external stakeholders can anonymously communicate their concerns through the Kennametal ethics and compliance Helpline, which is available on the Company's website.
- All concerns are taken seriously and are investigated and followed up by the Kennametal Office of Ethics and Compliance. An Ethics and Compliance Case Management Procedure is followed for all Helpline reports. Records regarding Helpline reports and investigations are retained for five (5) years. Conflict Mineral related grievances are reviewed quarterly with the Director of Metallurgical Sourcing.
- The Company's Due Diligence Procedure and application to the Mistelgau, Germany Facility was audited by an independent third party as part of the Company Due Diligence Program. No findings were observed, and the Assessment Conclusion found the program to be Compliant.

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. The Company has a robust process to identify risks in the supply chain.

First, 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) pursuant to the requirements of the European Union. 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 ammonium paratungstate (APT) plant against the "Covered Countries" under Dodd-Frank Act, section 1502;
2. Check those countries or subnational entities against the "European Union 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.

Second, new suppliers will only be approved upon a formal review of the supplier including a "Know-Your Supplier" (KYS) questionnaire. New suppliers are required to abide by and comply with the Principles of

Supplier Conduct and Conflict Mineral Supply Chain Policy. New suppliers are then reviewed against the list of CAHRAs. Existing suppliers are monitored by software.

Third, 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.

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 of Origin Inquiry;
- The Company requires suppliers to comply to the Conflict Mineral Supply Chain Policy and Principles of Supplier Conduct;
- A procedure to assess high-risk sources of supply is in place; and
- Application of supplier monitoring software to monitor suppliers in relation to sanction lists.

A handwritten signature in black ink, appearing to read 'Mitch Lenhard'.

Mitch Lenhard
Director – Metallurgical Sourcing