

KENNAMETAL INC
Form DEF 14A
September 18, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES

EXCHANGE ACT OF 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

KENNAMETAL INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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KENNAMETAL INC.

1600 Technology Way

P.O. Box 231

Latrobe, Pennsylvania 15650-0231

Notice of Annual Meeting of Shareowners

to be held October 23, 2012

To the Shareowners of Kennametal Inc.:

The Annual Meeting of Shareowners of Kennametal Inc. (the Company) will be held at the Quentin C. McKenna Technology Center, located at the Company's executive offices at 1600 Technology Way (on Route 981 South), Latrobe, Unity Township, Pennsylvania, on Tuesday, October 23, 2012 at 2:00 p.m. (Eastern Time) to consider and act upon the following matters:

1. The election of three directors for terms to expire in 2015;
2. The ratification of the selection of the independent registered public accounting firm for the fiscal year ending June 30, 2013; and
3. A non-binding advisory vote to approve the compensation paid to the Company's named executive officers, as disclosed in this proxy statement.

Shareowners also will be asked to consider such other business as may properly come before the meeting. The Board of Directors has fixed Friday, August 31, 2012 as the record date (the Record Date). Only shareowners of record at the close of business on the Record Date are entitled to notice of, and to vote at, the Annual Meeting.

If you plan to attend the Annual Meeting, please note that each shareowner *must* present valid picture identification, such as a driver's license or passport. Additionally, shareowners holding stock in brokerage accounts (street name holders) *must* bring a copy of a brokerage statement reflecting stock ownership as of the Record Date to be admitted to the Annual Meeting. No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Annual Meeting.

Whether or not you plan to attend the Annual Meeting, please complete, date and sign the enclosed proxy card and return it in the enclosed envelope, or vote by telephone or via the Internet as instructed on the enclosed proxy card, to ensure your shares are voted at the Annual Meeting.

By Order of the Board of Directors

Kevin G. Nowe
*Vice President, Secretary
and General Counsel*

September 12, 2012

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

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FOR THE ANNUAL MEETING OF SHAREOWNERS TO BE HELD
OCTOBER 23, 2012

This proxy statement and the 2012 Annual Report are available for viewing at

<http://shareowner.mobular.net/shareowner/KMT>

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2012 PROXY SUMMARY

This 2012 Proxy Summary highlights certain information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider before voting, and we strongly encourage you to carefully read the entire proxy statement before voting.

General Information About the 2012 Annual Meeting of Shareowners

Time and Date: Tuesday, October 23, 2012 at 2:00 p.m. (Eastern Time)
 Location: Quentin C. McKenna Technology Center, located at our executive offices at 1600 Technology Way (on Route 981 South), Latrobe, Unity Township, Pennsylvania, 15650
 Record Date: August 31, 2012
 Voting: For matters other than the election of directors (for which shareowners are permitted to cumulate votes), shareowners as of the Record Date have one vote for each share of capital stock held by such person on the Record Date

Voting Matters

Proposal	Board Voting Recommendation	Page Reference (for more detail)
Election of Three Directors to the Second Class with Terms Expiring in 2015	FOR EACH DIRECTOR NOMINEE	5
Ratification of PricewaterhouseCoopers LLP as our independent public accountants for the fiscal year ending June 30, 2013	FOR	25
Non-binding (advisory vote) to approve the compensation paid to the Company's named executive officers, as disclosed in this proxy statement	FOR	68

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Name	Age	Director Since	Occupation	Independent	Committee Memberships			Other Public Company Boards
					AC	CC	N/CG	
Ronald M. DeFeo	60	2001	Chairman and Chief Executive Officer of Terex Corporation	Yes		X	C	Terex Corporation
William R. Newlin	71	1982	Chairman of Newlin Investment Company LLC and Chairman of Plextronics, Inc.	Yes			C	ArvinMeritor, Inc. and Calgon Carbon Corporation
Lawrence W. Stranghoener	58	2003	Executive Vice President and Chief Financial Officer of The Mosaic Company	Yes	X	X		Aleris International

AC Audit Committee

CC Compensation Committee

N/CG Nominating/Corporate Governance Committee

C Chair

Attendance: In Fiscal 2012, each of our director nominees attended at least 75% of the Board and committee meetings on which he sits.

Director Elections: Directors are elected by a plurality of votes cast; meaning the three individuals who receive the largest number of votes cast for a director of the Second Class will be elected to that class.

Cumulative Voting: Shareowners have cumulative voting rights in the election of directors. When voting for directors, shareowners may multiply the total number of shares that they are entitled to vote by the number of directors to be elected in a class and may then cast the whole number of votes for one nominee or distribute their votes among the nominees as desired.

Fiscal 2012 Financial Performance and Executive Compensation Highlights

We achieved annual performance records in sales (\$2.7 billion compared with \$2.4 billion in Fiscal 2011), operating income (\$416 million compared with \$322 million for Fiscal 2011), EPS (\$3.77 compared with \$2.76 for Fiscal 2011) and ROIC (16.3% compared with 14.8% for Fiscal 2011).

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Based on our Fiscal 2012 financial performance, our 2012 annual incentive awards were earned with payouts ranging from 124.5% to 127.7% of target (other than the award to Mr. Wehl, which was earned at 73.5% of target) (as described on page 40 of the Compensation Discussion & Analysis section of this proxy statement). The first tranche (1/3) of the 2012 performance units were earned (subject to satisfaction of the continuous employment condition) at 93.9% of target and the second tranche (1/3) of the 2011 performance units awards were earned at 200% of target.

As demonstrated on page 26 of the Compensation Discussion and Analysis section of this proxy statement, a significant portion of our executive officers' compensation is variable and at risk. The total long-term incentive opportunity for our executive officers in Fiscal 2012 was allocated between performance units (50%), stock options (30%) and restricted units (20%) similar to Fiscal 2011, further demonstrating our pay-for-performance philosophy.

We believe that overall the Fiscal 2012 compensation of our named executive officers (as set forth in the Summary Compensation Table on page 49) reflects both our outstanding performance for the fiscal year and our pay-for-performance philosophy. However, shareowners should recognize that the calculation of total compensation included in the Summary Compensation Table (as dictated by rules of the Securities and Exchange Commission) is driven largely by accounting and actuarial assumptions, which are not necessarily reflective of compensation actually realized by the named executive officers and therefore the amounts reported in this table may not correspond to the actual value which will be ultimately recognized by the named executive officers.

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Proxy Statement for Kennametal Inc. Annual Meeting of Shareowners

October 23, 2012

General Information

When and where is the 2012 annual meeting?

The 2012 annual meeting of shareowners (the Annual Meeting) will be held on Tuesday, October 23, 2012 at 2:00 p.m. (Eastern Time) at the Quentin C. McKenna Technology Center, located at our executive offices at 1600 Technology Way (on Route 981 South), Latrobe, Unity Township, Pennsylvania, 15650.

When was this Proxy Statement mailed to shareowners?

This proxy statement was first mailed to shareowners on or about September 18, 2012.

Why did I receive this Proxy Statement?

The Board of Directors of Kennametal Inc. (we, us, Kennametal or the Company) is soliciting proxies to be voted at the Annual Meeting to be held on October 23, 2012, and at any adjournment of the Annual Meeting. When we ask for your proxy, we must provide you with a proxy statement that contains certain information specified by law.

What will the shareowners vote on at the Annual Meeting?

Three items:

The election of three directors nominated by our Board of Directors (with terms to expire at the 2015 annual meeting)

The ratification of the selection of PricewaterhouseCoopers LLP, independent registered public accounting firm (the independent auditors), for the fiscal year ending June 30, 2013

The approval (on a non-binding advisory basis) of the compensation paid to our named executive officers, as disclosed in this proxy statement

Will there be any other items of business on the agenda?

We do not expect any other items of business; however, in case there is an unforeseen need, the accompanying proxy card gives discretionary authority to the persons named in the proxy card with respect to any other matters that might be brought before the meeting. Those persons intend to vote that proxy on any such matter in accordance with their best judgment.

Who is entitled to vote?

Shareowners as of the close of business on Friday, August 31, 2012 (the Record Date) may vote at the Annual Meeting. For matters other than the election of directors (for which you are permitted to cumulate votes), you have one vote for each share of capital stock you held on the Record Date, including shares:

held directly in your name as the shareowner of record

held for you in an account with a broker, bank or other nominee

attributed to your account in one of our Company-sponsored 401(k) plans

What constitutes a quorum?

A majority of the outstanding shares, present or represented by proxy, constitutes a quorum for the Annual Meeting. As of the Record Date, 79,724,246 shares of our capital stock were issued and outstanding. Abstentions and broker non-votes (which are explained below) will be counted for purposes of determining a quorum, but will not be counted as votes cast.

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How many votes are required for the approval of each item?

There are different vote requirements for each of the proposals.

The three nominees for director for terms expiring in 2015 receiving the most votes will be elected. Abstentions, broker non-votes and instructions to withhold authority to vote for one or more of the nominees will result in those nominees receiving fewer votes but will not count as votes against the nominee.

The ratification of the selection of the independent auditors will be approved if the proposal receives the affirmative vote of at least a majority of the votes cast by shareowners present, in person or by proxy, at the meeting. Abstentions will not be counted as votes cast either for or against the proposal.

The compensation paid to our named executive officers, as disclosed in this proxy statement, will be approved (on a non-binding advisory basis) if the proposal receives the affirmative vote of at least a majority of the votes cast by shareowners present, in person or by proxy, at the meeting. Abstentions and broker non-votes will not be counted as votes cast either for or against the proposal.

Explanation of Broker Non-votes. If your shares are held by a broker (in street name), the broker will ask you how you want your shares to be voted. If you give the broker instructions, your shares will be voted as you direct. If you do not give instructions to your broker, one of two things can happen, depending on the type of proposal. For the ratification of the selection of the independent auditors, which is considered a routine matter, the broker may vote your shares in its discretion. The broker does not have the discretion to vote your shares for the election of directors or the non-binding advisory vote to approve the compensation paid to our named executive officers, as disclosed in this proxy statement; these are considered non-routine matters. If you do not provide voting instructions to your broker for these non-routine matters, the broker may not vote your shares on these proposals at all. When that happens, it is called a broker non-vote.

How do I vote by proxy?

If you are a shareowner of record, you may vote your proxy by any one of the following methods:

By mail. Sign and date each proxy card you receive and return it in the prepaid envelope. Sign your name exactly as it appears on the proxy card. If you are signing in a representative capacity (for example, as an attorney-in-fact, executor, administrator, guardian, trustee or the officer or agent of a corporation or partnership), please indicate your name and your title or capacity. If the stock is held in custody for a minor (for example, under the Uniform Transfers to Minors Act), the custodian should sign, not the minor. If the stock is held in joint ownership, one owner may sign on behalf of all owners.

By telephone. You may vote by telephone by dialing **1-866-540-5760**. Follow the instructions on the enclosed proxy card. Voting by telephone has the same effect as voting by mail. If you vote by telephone, do not return your proxy card. Telephone voting will be available until 11:59 p.m. Eastern Time on October 22, 2012.

By Internet. You may vote online at <http://www.proxyvoting.com/kmt>. Follow the instructions on the enclosed proxy card. Voting on the Internet has the same effect as voting by mail. If you vote on the Internet, do not return your proxy card. Internet voting will be available until 11:59 p.m. Eastern Time on October 22, 2012.

Voting In Person. If you are a shareowner of record, you may vote your shares in person at the Annual Meeting. However, we encourage you to vote by proxy card, by telephone or on the Internet even if you plan to attend the Annual Meeting.

How do I vote shares that are held by my broker?

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If you own shares held by a broker or other nominee, you may instruct your broker or other nominee to vote your shares by following the instructions that the broker or nominee provides to you. Most brokers offer voting by mail, by telephone and on the Internet.

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How do I vote my shares in the 401(k) plan?

You may instruct the plan trustee on how to vote your shares in the 401(k) plan by mail, by telephone or on the Internet as described above, except that, if you vote by mail, the card that you use will be a voting instruction card rather than a proxy card. You will receive the voting instruction card from the plan trustee in the mail.

How can I revoke a proxy or change my vote?

You have the right to revoke your proxy at any time before the meeting by (1) notifying our Secretary in writing or (2) delivering a later-dated proxy card by telephone, on the Internet or by mail. If you are a shareowner of record, you may also revoke your proxy by voting in person at the Annual Meeting.

How will the named proxies vote my shares?

The shares represented by all properly executed proxies received by the Secretary prior to the Annual Meeting and not revoked will be voted. If you specify a voting choice on the proxy card (or the proxy given by telephone or via the Internet), the shares will be voted in accordance with that choice. If you return your signed proxy card but do not indicate your voting preferences, the Named Proxies (hereinafter defined) will vote on your behalf for the election of the nominees for director listed below, for the ratification of the selection of the independent auditor, and for the approval (on a non-binding advisory basis) of the compensation paid to our named executive officers, as disclosed in this proxy statement.

How will the advisory vote related to executive compensation be treated?

Although the advisory vote to approve the compensation paid to our named executive officers is non-binding, our Board of Directors will review the results of this vote and, consistent with our record of shareowner engagement, will take it into account in making future determinations concerning executive compensation.

What does it mean if I receive more than one proxy card?

It means that you hold shares in more than one account. To ensure that all of your shares are voted, sign and return each card. Alternatively, if you vote by telephone or on the Internet, you will need to vote once for each proxy card and voting instruction card you receive.

Who tabulates the votes?

The votes are tabulated by Computershare Investor Services, LLC, which acts as an independent inspector of election.

What should I do if I want to attend the Annual Meeting?

If you plan to attend the Annual Meeting, you *must* present valid picture identification, such as a driver's license or passport. If you hold your shares in a brokerage account, you *must also* bring a copy of a brokerage statement reflecting stock ownership as of the Record Date to be admitted to the Annual Meeting. Please do not bring cameras, recording equipment, electronic devices, large bags, briefcases or packages with you. You will be asked to check in with our security personnel and none of these items will be permitted in the Annual Meeting.

If you have questions about directions, admittance or parking, you may call 724-539-5000.

Can I view the Proxy Statement and 2012 Annual Report electronically?

Yes. Copies of this proxy statement and our 2012 Annual Report to Shareowners (the 2012 Annual Report) are available free of charge for electronic (online) access and viewing at <http://shareowner.mobular.net/shareowner/KMT>.

You may also view the proxy statement and 2012 Annual Report free of charge on our website at www.kennametal.com in the Investor Relations section under the SEC Filings tab.

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What is householding ?

We have adopted householding, a procedure under which shareowners of record who have the same address and last name and do not receive proxy materials electronically will receive only one copy of our annual report and proxy statement unless one or more of these shareowners notifies us that they wish to continue receiving individual copies. This procedure saves printing and postage costs by reducing duplicative mailings. Shareowners who participate in householding will continue to receive separate proxy cards. Householding will not affect dividend check mailings. Beneficial shareowners can request information about householding from their banks, brokers or other holders of record.

What if I want to receive a copy of the annual report and proxy statement?

You may request a proxy statement or annual report via our website, www.kennametal.com, in the Investor Relations section under the SEC Filings tab. Select Printed Materials Request from the Investor Toolkit menu. If you prefer, you may call our Secretary at 724-539-5776 or write to Kennametal Inc., Attention: Secretary, 1600 Technology Way, Latrobe, Pennsylvania 15650:

If you participate in householding and wish to receive a separate copy of the 2012 Annual Report and proxy statement, or

If you do not participate in householding, but would like a print copy of either the 2012 Annual Report or proxy statement, or

If you wish to receive separate copies of future annual reports and proxy statements.
We will deliver the requested documents to you promptly upon your request.

How can I contact the Company, the Board of Directors, the Lead Director or any of the Independent Directors?

The address of our principal executive offices is 1600 Technology Way, Latrobe, Pennsylvania 15650.

You can send written communications to any of our Board members, addressed to:

Kennametal Inc.

c/o Kevin G. Nowe

Vice President, Secretary and General Counsel

1600 Technology Way

Latrobe, Pennsylvania 15650.

We will forward any communication we receive to the relevant director(s), except for advertisements, solicitations or other matters unrelated to the Company.

What are the procedures for submitting a shareowner proposal or nomination for the 2013 annual meeting?

We expect to hold our 2013 annual meeting in October 2013. If a shareowner wishes to have a proposal considered for inclusion in next year's proxy statement, such shareowner must submit the proposal in writing so that we receive it by May 21, 2013. Proposals should be addressed to our Secretary at Kennametal Inc., 1600 Technology Way, Latrobe, Pennsylvania 15650. Proposals must comply with Rule 14a-8 of Regulation 14A of the proxy rules and must contain certain information specified in the Company's By-Laws.

In addition, our By-Laws provide that any shareowner wishing to propose any other business at the 2013 annual meeting must give the Company written notice no earlier than May 1, 2013 and no later than June 30, 2013. That notice must provide certain other information as described in the By-Laws.

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Shareowner nominations for directors to be elected at the 2013 annual meeting must be submitted to the Secretary in writing no earlier than May 1, 2013 and no later than June 30, 2013. The By-Laws contain certain requirements for the information that must be provided in any shareowner nomination, including information

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about the nominee and the nominating shareowner. Please see *Committee Functions Nominating/Corporate Governance Committee* under the *Board of Directors and Board Committees* section of this proxy statement for additional information regarding shareowner nominations to be considered by the Nominating/Corporate Governance Committee.

Any shareowner may obtain a copy of the By-Laws or any of our corporate governance materials by submitting a written request to the Secretary at Kennametal Inc., 1600 Technology Way, Latrobe, Pennsylvania 15650.

Who pays for the solicitation of proxies?

Kennametal pays all costs related to the Company's solicitation of proxies. We may solicit proxies by mail, or our directors, officers or employees may solicit proxies personally, by telephone, facsimile or the Internet. We have retained the services of Morrow & Co., LLC, 470 West Avenue, Stamford, CT 06902, to assist in soliciting proxies from brokerage houses, custodians, nominees, other fiduciaries and other shareowners of the Company. We will pay all fees and expenses of Morrow & Co., LLC in connection with the solicitation; we do not expect those fees and expenses to exceed \$8,500. We will reimburse brokerage firms and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for sending proxy materials to shareowners and obtaining their votes.

What is the Company's Fiscal Year?

Kennametal's fiscal year begins each year on July 1 and ends on the following June 30. Any reference to a year in this Proxy Statement is to a fiscal year. For example, references to 2012 or Fiscal 2012 mean the fiscal year beginning July 1, 2011 and ending June 30, 2012.

Stock Split.

Where applicable, the figures presented in this proxy statement have been adjusted to reflect the 2-for-1 stock split effected by the Company on December 18, 2007.

ELECTION OF DIRECTORS

Proposal I. Election of Directors

Kennametal seeks directors with strong reputations and experience in areas relevant to the strategy and operations of our businesses, particularly industries and growth segments that we serve, as well as key geographic markets where we operate. Our Board of Directors has nominated three of our current directors, Ronald M. DeFeo, William R. Newlin and Lawrence W. Stranghoener, for re-election to serve as directors of the Second Class with a term that will expire in 2015. Each of the nominees for election as a director at the Annual Meeting and each of the Company's current directors holds or has held senior executive positions in large, complex organizations and has operating experience that meets our objectives, as described below. In these positions, they have also gained experience in core management skills, such as strategic and financial planning, public company financial reporting, corporate governance, risk management and leadership development.

We have provided additional information about each nominee and each director whose term of office will continue after the Annual Meeting below, including the specific characteristics and traits that we believe qualify these individuals to serve as directors of our Company.

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THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF EACH OF THE NOMINEES.

Name, Age and Year	Principal Occupation and Directorships of
First Elected(1) <i>Nominee for Director of the Second Class With a Term to Expire in 2015</i>	Other Publicly Traded Corporations; Qualifications
<p>RONALD M. DEFEO</p> <p>Age: 60</p> <p>Mr. DeFeo serves as the Chairman of the Board and Chief Executive Officer of Terex Corporation (a global manufacturer of machinery and industrial products), positions he has held since March 1998 and March 1995, respectively. From October 1993 through December 2006, Mr. DeFeo was also the President and Chief Operating Officer of Terex. He joined Terex in 1992 as the President of the Heavy Equipment Group and later assumed responsibility for Terex's former Clark Material Handling Company subsidiary. Before joining Terex, Mr. DeFeo was a Senior Vice President of J.I. Case Company, the former Tenneco farm and construction equipment division and also served as a Managing Director of Case Construction Equipment throughout Europe. While at J.I. Case Company, Mr. DeFeo was also a Vice President of North American Construction Equipment Sales and General Manager of Retail Operations. Mr. DeFeo holds a bachelor's degree in Economics and Philosophy from Iona College.</p> <p><i>Qualifications:</i> Mr. DeFeo has extensive experience in leading and managing manufacturing companies that operate globally, such as ours. As the Chairman and Chief Executive Officer of a U.S.-based, public, industrial company, Mr. DeFeo brings strong leadership skills and deep knowledge of the manufacturing industry to the Board, as well as valuable perspective from serving on the Board of Terex Corporation.</p>	<p>Director since 2001</p>
<p>WILLIAM R. NEWLIN</p> <p>Age: 71</p> <p>Mr. Newlin serves as the Chairman of Newlin Investment Company LLC (a private investment firm founded by Mr. Newlin), a position he has held since April 2007. Since 2009, he has also served as the Chairman of Plextronics, Inc., (a private technology company). From October 2003 to March 2007, Mr. Newlin served as Executive Vice President and Chief Administrative Officer of Dick's Sporting Goods, Inc. (a sporting goods retailer). He was Chairman and Chief Executive Officer of Buchanan Ingersoll Professional Corporation (now Buchanan Ingersoll & Rooney PC, a law firm) from September 1980 to October 2003. Mr. Newlin is a Director of ArvinMeritor, Inc. and Calgon Carbon Corporation. Mr. Newlin holds a bachelor's degree from Princeton University and a juris doctorate from the University of Pittsburgh Law School.</p> <p><i>Qualifications:</i> Mr. Newlin has significant experience in leading and managing large organizations, including professional service providers and public and private businesses. He brings extensive experience in major corporate transactions to our Board, along with deep executive leadership and entrepreneurial experience, years of experience providing strategic counsel and legal advice to complex organizations like ours and those of our customers, and valuable perspective gained from serving on the boards of other public and private companies.</p>	<p>Director since 1982</p>

Table of Contents**Name, Age and Year****Principal Occupation and Directorships of****First Elected(1)****Other Publicly Traded Corporations; Qualifications****LAWRENCE W. STRANGHOENER**

Director since 2003

Age: 58

Mr. Stranghoener serves as the Executive Vice President and Chief Financial Officer of The Mosaic Company (a crop nutrition company), a position that he has held since September 2004. Before joining Mosaic, Mr. Stranghoener was the Executive Vice President and Chief Financial Officer of Thrivent Financial for Lutherans (a Fortune 500 financial services company) from 2001 to 2004. Prior to that, Mr. Stranghoener spent 17 years at Honeywell Inc. where he served in a variety of positions in the U.S. and in Europe, including three years as Chief Financial Officer until Honeywell merged with Allied Signal Inc. (Allied Signal) in 1999. Mr. Stranghoener started his career as an Investment Analyst at Dain Rauscher. Mr. Stranghoener serves on the board of directors of Aleris International, where he chairs the audit committee. He holds a bachelor of arts degree from St. Olaf College and a master of business administration degree from Northwestern University.

Qualifications: Mr. Stranghoener has extensive experience as a Chief Financial Officer for a variety of organizations. He brings strong leadership skills and a deep understanding of financial reporting and risk management to our Board. His knowledge of the financial and capital markets enables him to provide guidance and valuable insight to our Board and management on these matters. He has been designated by our Board as an audit committee financial expert and has served as the Chair of our Audit Committee in the past.

*Directors of the Third Class With a Term to Expire in 2013***CARLOS M. CARDOSO**

Director since 2006

Age: 54

Mr. Cardoso has served as the Chairman of Kennametal since January 2008. He has also been our President and Chief Executive Officer since January 2006. Previously, Mr. Cardoso served as our Executive Vice President and Chief Operating Officer from January 2005 to December 2005; and Vice President and President, Metalworking Solutions and Services Group, from April 2003 to December 2004. Before joining Kennametal, Mr. Cardoso served as President of the Pump Division of Flowserve Corporation (a manufacturer / provider of flow management products and services) from August 2001 to March 2003. Prior to that, he spent six years with Honeywell International, Inc. (a diversified technology and manufacturing company, formerly Allied Signal) in a variety of positions of increasing responsibility, culminating with Vice President and General Manager, Engine Systems and Accessories from March 1999 to August 2001. Prior to Honeywell / Allied Signal, Mr. Cardoso was Vice President Manufacturing Operations for Colt's Manufacturing Company LLC (a maker of firearms) where he served as a key member of the Executive Team. Early in his career, he also owned and operated a machine shop. He is a member of the Board of Directors of Stanley Black & Decker, Inc. (a diversified global provider of hand tools, power tools and related accessories) and the National Association of Manufacturers (NAM) Board of Directors. He is Chairman of the Board of Trustees of the Manufacturers Alliance for Productivity and Innovation (MAPI), a business and research and executive education organization. Additionally, he is the co-chair of the Pennsylvania Governor's Manufacturing Council, a Team Pennsylvania Foundation-led initiative, helping to identify and prioritize top issues to influence, sustain and advance manufacturing in the commonwealth. Mr. Cardoso holds a bachelor's degree in business administration from Fairfield University in Fairfield, Connecticut, and a master's degree in management from the Hartford Graduate Center.

Qualifications: Mr. Cardoso has an extensive global background, having lived and worked on three continents, and a deep understanding of the challenges of managing complex, global organizations. In his capacity as our Chairman, he serves as a critical liaison between the Board and management of the company, and his intimate knowledge of the strategic and growth priorities and day-to-day workings of our businesses provides the Board with valuable perspective and insight.

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Name, Age and Year

Principal Occupation and Directorships of

First Elected(1)

Other Publicly Traded Corporations; Qualifications

LARRY D. YOST

Director since 1987

Age: 74

Mr. Yost has been serving as the Lead Director of the Board of Directors since January 2008. From January 2007 to December 2007, Mr. Yost served as the Chairman of our Board of Directors. Previously, Mr. Yost was the Chairman and Chief Executive Officer of ArvinMeritor, Inc. (a provider of components for vehicles) from August 2000 until his retirement in August 2004. From 1997 until the 2000 merger of Arvin, Inc. and Meritor Automotive, Inc., Mr. Yost was Chairman and Chief Executive Officer of Meritor (a supplier of automotive components and systems). He is a Director of Intermec, Inc. (a global supply chain solutions provider), where he serves as the Chair of the Compensation Committee) and formerly served as a director of Milacron, Inc. (a global supplier of plastics processing technologies and industrial fluids) and Actuant Corporation (a diversified industrial manufacturer of industrial tools and other products). Mr. Yost holds a bachelor's degree in science from Milwaukee School of Engineering.

Qualifications: Mr. Yost has extensive experience in the industrial and manufacturing sectors, including many years of management experience as a chief executive officer and senior executive of complex manufacturing organizations, such as ours. He has significant experience gained from serving on the boards of other public companies and brings valuable perspective and strong leadership skills to our Board. In his capacity as Lead Director of our Board, he serves as the independent liaison between our management, our shareowners and the Board and he works closely with the Chairman on matters affecting the Company, our business, the Board and all of our stakeholders.

WILLIAM J. HARVEY

Director since 2011

Age: 61

Mr. Harvey serves as President - DuPont Packaging & Industrial Polymers (a multi-billion dollar global business unit of E.I. DuPont de Nemours & Company), a position he has held since 2009. Mr. Harvey joined DuPont in 1977. After leaving DuPont in 1992 to become General Manager of the Peroxygen Chemical Division of FMC Corporation, Mr. Harvey rejoined DuPont in 1996 and was appointed Global Business Director for DuPont Packaging & Industrial Polymers. Since that time Mr. Harvey has held various management-level positions with DuPont including Vice President and General Manager of the DuPont Advanced Fiber businesses - Kevlar and Nomex Fibers, Vice President - DuPont Corporate Operations and Vice President - DuPont Corporate Plans. Mr. Harvey holds a bachelor's degree in economics from Virginia Commonwealth University and a master's degree from the University of Virginia Darden Graduate School of Business.

Qualifications: Mr. Harvey brings to the Board keen strategic insight and commercial expertise. His wealth of global experience and business acumen make an excellent contribution to our Board.

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Name, Age and Year	Principal Occupation and Directorships of
First Elected(1)	Other Publicly Traded Corporations; Qualifications
<i>Directors of the First Class With a Term to Expire in 2014</i>	
<p>PHILIP A. DUR</p> <p>Age: 68</p> <p>Mr. Dur is the retired Corporate Vice President and President, Ship Systems Sector of Northrop Grumman Corporation (a global defense company), having served in those positions from October 2001 to December 2005. Prior to that, he was the Vice President of Program Operations at the Electronic Sensors and Systems Sector for Northrop Grumman. Mr. Dur joined Northrop Grumman in 1999 following five years with Tenneco, Inc. (a global manufacturer of products for the automobile industry), where he held a number of strategic and executive positions, with the latest being Vice President, Worldwide Business Development and Strategy. Mr. Dur also had a long and distinguished career in the U.S. Navy, ultimately rising to the rank of Rear Admiral. He is a Director of TechPrecision Corporation (a provider of specialty and large-scale metallic fabrication, machining and assembly). Mr. Dur holds a bachelor's and master's degree from the University of Notre Dame and a master's degree and doctorate from Harvard University.</p> <p><i>Qualifications:</i> Mr. Dur brings to our Board extensive executive experience in operations and keen strategic insight into the transportation industry and future business opportunities for our Company. He also brings valuable perspective from his service on the board of another public company.</p>	<p>Director since 2006</p>
<p>TIMOTHY R. MCLEVISH</p> <p>Age: 57</p> <p>Mr. McLevish is Chairman, Project Management Office at Kraft Foods Inc. (a food and beverage company). He served as their Executive Vice President and Chief Financial Officer from October 2007 until May 9, 2011. Before joining Kraft Foods, Mr. McLevish was the Senior Vice President and Chief Financial Officer of Ingersoll-Rand Company Limited (a diversified industrial company) from May 2002 to August 2007. Prior to that, he held a series of finance, administration and leadership roles for Mead Corporation (a forest products company), which he joined in 1987. His final role with Mead was Vice President and Chief Financial Officer, a position he held from December 1999 through March 2002. Mr. McLevish holds a bachelor's degree in accounting from the University of Minnesota and a master in business administration from Harvard Business School. In addition, he is a certified public accountant.</p> <p><i>Qualifications:</i> With his experience as a Chief Financial Officer and as a senior finance leader for multiple public companies that operate in diverse global industries, Mr. McLevish brings deep knowledge of financial reporting, internal controls and procedures and risk management to our Board. His extensive experience in public company finance and knowledge of the financial and capital markets enables him to provide insight and guidance to our Board in these areas. He has been designated by our Board as an audit committee financial expert and currently serves as the Chair of our Audit Committee.</p>	<p>Director since 2004</p>

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Name, Age and Year	Principal Occupation and Directorships of
First Elected(1)	Other Publicly Traded Corporations; Qualifications
STEVEN H. WUNNING	Director since 2005

Age: 61

Mr. Wunning has served as the Group President and an Executive Office member of Caterpillar Inc. (a global manufacturer of construction, mining and industrial equipment) since January 2004. He is responsible for the Resource Industries Group, which includes Advanced Components & Systems Division, Diversified Products Division, Global Purchasing Division, Integrated Manufacturing Operations Division, Mining & Quarry (Solutions) Division and Product Development & Global Technology Division. He is also responsible for driving manufacturing excellence through the Caterpillar Production System. Mr. Wunning originally joined Caterpillar in 1973, and has held numerous positions there with increasing responsibility, including Vice President and then President of Cat Logistics, Corporate Vice President of the Logistics & Product Services Division and Corporate Vice President of Cat Logistics. He has a bachelor's degree from the University of Missouri Rolla now Missouri University of Science and Technology and an Executive MBA from the University of Illinois.

Qualifications: Mr. Wunning brings to our Board his extensive operational and management experience in the areas of quality, manufacturing, product support and logistics for a complex, global organization. He has a deep understanding of the challenges of managing a global manufacturing organization and is able to provide valuable insight and perspective with respect to operations, supply chain logistics and customer relations.

(1) Each current director has served continuously since he was first elected.

Important Information about Proxies and Cumulative Voting

Our Board of Directors selected the persons named on the enclosed proxy card (the Named Proxies) to act as proxies for the Annual Meeting. The Named Proxies have advised the Board that, unless authority is withheld, they will vote the shares represented by them for the election of the nominees named above. Each of the nominees has indicated his willingness to serve as a director. If, at the time of the meeting, any of the nominees is not available to serve as a director (a situation we do not anticipate), the Board may nominate another person in the nominee's stead. In that unlikely event, the Named Proxies intend to vote the shares represented by them for such other person or persons as may be nominated by the Board.

Kennametal shareowners have cumulative voting rights in the election of directors. When voting for directors, you may multiply the total number of shares that you are entitled to vote by the number of directors to be elected in a class. You may then cast the whole number of votes for one nominee or distribute them among the nominees as desired. If you've given voting instructions to a proxy, that person will follow your instructions. If you have not otherwise instructed the proxy as to cumulative voting, the proxy will have the discretion to exercise cumulative voting rights. Directors are elected by a plurality of votes cast; this means that the three individuals who receive the largest number of votes cast for a Director of the Second Class will be elected to that class.

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ETHICS AND CORPORATE GOVERNANCE

Code of Business Ethics and Conduct

All of our directors, officers and employees, including our Chief Executive Officer, Chief Financial Officer and Corporate Controller, must strictly adhere to our Code of Business Ethics and Conduct (sometimes referred to as the Code).

The Code of Business Ethics and Conduct is designed to:

proactively promote ethical behavior;

protect our valued reputation and the reputations of our directors, officers and employees;

assist all employees to act as good corporate citizens around the world; and

continue to demonstrate that we, and the individuals we employ, can be successful while maintaining the values which have served us well over the years.

We view violations of the Code very seriously. Personal consequences for violations can be severe and can include termination and/or legal action. Directors, officers and employees who know of or suspect a violation of the Code must report the matter to us promptly. Any of these individuals can report a concern or potential violation of the Code:

by approaching or telephoning such person s immediate supervisor or manager, another supervisor or manager, such person s local Human Resource professional, the Office of the General Counsel or the Office of Ethics & Compliance.

in writing directed to the Vice President, Secretary and General Counsel, Kennametal Inc., 1600 Technology Way, P.O. Box 231, Latrobe, Pennsylvania 15650-0231 or by email: k-corp.ethics@kennametal.com.

by calling the Office of Ethics & Compliance at 724-539-4031.

by calling the Company s toll-free HELPLINE (1-877-781-7319). The HELPLINE is accessible twenty-four (24) hours a day. Concerned persons can utilize the HELPLINE on a confidential and anonymous basis.

The Code of Business Ethics and Conduct is posted on our website at www.kennametal.com on the Ethics and Compliance page, which is accessible under the Company Profile tab. We will disclose any future amendments to the Code that relate to our directors or executive officers on our website, as well as any waivers of the Code that relate to directors and executive officers.

Corporate Governance

Our Board of Directors adopted the Kennametal Inc. Corporate Governance Guidelines (the Guidelines) to assist the Board in the exercise of its duties and responsibilities and to serve the best interests of the Company. The Guidelines reflect the Board s commitment to monitor the effectiveness of policy and decision-making both at the Board and management level.

A complete copy of the Guidelines is available on our website at www.kennametal.com on the Corporate Governance page, which is accessible under the Investor Relations tab. Any changes to the Guidelines in the future will also be posted on our website. Following is a summary that

provides highlights of our Guidelines and many related corporate governance matters:

Selection of New Director Candidates and Criteria for Board Membership

Kennametal believes that the Board as a whole should encompass a range of talent, skill, diversity and expertise that enable it to provide sound guidance with respect to our operations and interests. Board nominees are identified, screened and recommended by the Nominating/Corporate Governance Commit-

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tee and approved by the full Board. The Nominating/Governance Committee evaluates and ultimately selects director nominees on the basis of a number of criteria, including independence, integrity, diversity, business and industry experience, areas of expertise, ability to exercise sound judgment in areas relevant to our businesses, and willingness to commit sufficient time to the Board. In addition to considering a candidate's background and accomplishments, candidates are reviewed in the context of the current composition of the Board and the evolving needs of our businesses.

The Nominating/Corporate Governance Committee strives to nominate directors with a variety of complementary skills so that, as a group, the Board will possess the appropriate talent, skills and expertise to oversee the Company's businesses.

Although the Nominating/Corporate Governance Committee does not have a formal policy with respect to consideration of diversity in identifying director candidates, as noted above, diversity is one of the many important factors considered in any evaluation of a director or director nominee. The Committee believes the term "diversity" encompasses a broad array of personal characteristics, including traditional concepts such as age, gender, race and ethnic background. Equally important to any evaluation of diversity, however, are characteristics such as geographic origin and exposure, skills and training, education, viewpoint, industry exposure and professional experience. The Committee recognizes that diversity of all types can bring distinctive skills, perspectives and experiences to the Board.

The Nominating/Corporate Governance Committee will consider any director candidate nominated by a shareowner in accordance with our By-Laws and applicable law. For further information on shareowner nominating procedures, please refer to the response to the question "What are the procedures for submitting a shareowner proposal or nomination for the 2013 annual meeting?" under the *General Information* section of this proxy statement.

All Board members are expected to ensure that other existing and planned future commitments do not materially interfere with service as a director.

In 2012, the Nominating/Corporate Governance Committee did engage the services of a third party search firm (Korn/Ferry International) to assist the committee in the identification and evaluation of potential director candidates.

Board Composition and Independence

A majority of Board members must qualify as independent directors under the listing standards of the New York Stock Exchange (NYSE), the rules and regulations of the Securities and Exchange Commission (the SEC) and the requirements of any other applicable regulatory authority.

Only those directors who the Board affirmatively determines have no material relationship with the Company, either directly or indirectly, will be considered independent directors. The Board's determination is based on the standards for independence under the rules of the NYSE and those of any other applicable regulatory authority and also on additional qualifications set forth in the Guidelines regarding:

Indebtedness of the director or immediate family members, or affiliates of the director, to the Company;

Indebtedness of the Company to affiliates of the director; and

A director's relationships with charitable organizations.

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In June and July 2012, our management compiled and summarized our directors' responses to a questionnaire asking them about their relationships with the Company (and those of their immediate family members) and other potential conflicts of interest. This information, along with material provided by management related to transactions, relationships or arrangements between the Company and the directors or parties related to the directors was presented to the Nominating/Corporate Governance Committee for its review and consideration. The Nominating/Corporate Governance Committee determined that none of our non-employee directors, all of whom are listed below, has had during the last three years (i) any of the

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relationships listed above or (ii) any other material relationship with the Company that would compromise his independence under the listing standards of the NYSE, the rules and regulations of the SEC and/or the requirements set forth in our Guidelines. The table below includes a description of certain transactions, relationships or arrangements considered by the Nominating/Corporate Governance Committee in reaching its determination. The committee presented its findings to the Board at its July 2012 meeting. Based upon the conclusions and recommendation of the Nominating/Corporate Governance Committee, the Board determined that all non-employee directors are independent, and that all of the members of the Audit, Compensation and Nominating/Corporate Governance Committees also meet the independence tests referenced above.

Name	Independent	Transactions/Relationships/Arrangements Considered
Ronald M. DeFeo	Yes	Commercial relationships between Terex Corporation and its subsidiaries and Kennametal Inc. (Kennametal as supplier) immaterial
Philip A. Dur	Yes	None
William J. Harvey	Yes	Commercial relationships between E.I. DuPont de Nemours & Company and its subsidiaries and Kennametal Inc. (Kennametal as supplier) immaterial
Timothy R. McLevish	Yes	None
William R. Newlin	Yes	None
Lawrence W. Strangoener	Yes	None
Steven H. Wunning	Yes	Commercial relationships between Caterpillar Inc. and Kennametal Inc. (Kennametal as supplier) immaterial
Larry D. Yost	Yes	None
<i>Outside Board Membership</i>		

Management directors are required to seek and obtain the approval of the Board before accepting outside board memberships. Non-management directors must advise the Chairman of the Board and the Chair of the Nominating/Corporate Governance Committee in advance of accepting an invitation to serve on another board. Sitting on another public company's board should not create a conflict of interest or impair the director's ability to provide sufficient time to carry out his or her duties as a director of the Company.

Retirement Age

Unless otherwise determined by the Nominating/Corporate Governance Committee due to special circumstances, no director may be nominated for re-election or re-appointment to the Board if he or she would be age seventy-three (73) or older at the time of election or appointment.

Conflicts of Interest

Directors must avoid any action, position or interest that conflicts with an interest of the Company, or gives the appearance of conflict. We solicit information annually from directors in order to monitor potential conflicts of interest. Any potential conflict of interest must be immediately reported to the Chairman of the Board, the Chair of the Nominating/Corporate Governance Committee and the Lead Director, if one has been designated, for evaluation. If a director has a personal interest in a matter before the Board, the director must disclose the interest to the Board, excuse himself or herself from participation in the matter and not vote on the matter.

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Directors Orientation and Continuing Education

Each new director must participate in the Company's orientation program, which should be conducted within two (2) months of the meeting at which the new director is elected.

Directors are encouraged to participate in continuing education programs, as appropriate, to maintain the skills necessary to perform their director duties and responsibilities.

Board Compensation

In accordance with our Stock Ownership Guidelines (which are applicable to our directors, executives and key managers), a meaningful portion of director compensation is required to be in the Company's stock or deferred stock credits to further the direct correlation of directors' and shareowners' economic interests. Please see *Equity Ownership by Directors* under the *Board of Directors and Board Committees* section of this proxy statement for additional information regarding our Stock Ownership Guidelines, as they apply to our directors.

Directors who serve on the Audit Committee, Compensation Committee and/or Nominating/Corporate Governance Committee do not receive any compensation from us other than director fees (including fees paid for service on Board committees).

Directors who are employees (currently only our Chairman, Mr. Cardoso) do not receive additional cash compensation for service as a director.

Board Leadership Structure

Our Board is led by Mr. Cardoso, our Chairman, President and Chief Executive Officer. Mr. Cardoso has served as our President and Chief Executive Officer since January 2006 and as our Chairman since January 2008. Our By-Laws and Guidelines give the Board the flexibility to determine whether the roles of Chief Executive Officer and Board Chairman should be held by the same person or by two separate individuals. Each year in October, the Board evaluates our leadership structure and determines the most appropriate structure for the coming year based upon its assessment of our position, strategy and long-term plans for our Company. The Board also considers the specific circumstances facing the Company and the characteristics and membership of the Board. At this time, the Board has determined that having Mr. Cardoso serve as both the Chief Executive Officer and the Chairman is in the best interest of our shareowners. We believe this structure makes the best use of the Chief Executive Officer's extensive knowledge of the Company, our strategic initiatives and our industry, and also fosters real-time communication between management and the Board.

When the roles of Chairman and Chief Executive Officer are combined in one individual, as they are now, the Board also has the ability to designate a Lead Director to provide additional leadership and guidance to the Board. Larry D. Yost currently serves as our Lead Director, a position he has held since January 2008, when Mr. Cardoso assumed the Chairman role. As our Lead Director, Mr. Yost consults with the Chairman to set agendas and establish Board priorities and procedures. He presides over executive sessions of the non-management directors and acts as the principal liaison between the non-management directors and the Chief Executive Officer. Our Guidelines contain a list of the various responsibilities with which Mr. Yost, as Lead Director, is tasked. In addition to the responsibilities described above, the Lead Director also:

Consults with the Compensation Committee for the annual evaluation of the Chief Executive Officer's performance and, together with the Chair of the Compensation Committee, meets with the Chief Executive Officer to discuss that evaluation.

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Provides feedback to the Chief Executive Officer with respect to the quality, quantity and timeliness of the flow of information from management to the non-management directors.

Assists the Board and management in assuring implementation of and compliance with the Guidelines and our Code of Business Ethics and Conduct.

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Selection of Agenda Items for Board Meetings

Agendas for Board meetings are established by the Chairman in consultation with the Lead Director, Board members and Chief Executive Officer (where a person other than the Chairman occupies this position). Board members are also encouraged to raise, at any Board meeting, subjects that are not on the agenda for that meeting.

The Chair of each committee, taking into account recommendations of committee members and in consultation with appropriate management, establishes the agenda for each committee meeting.

Distribution of Board Materials

A preliminary agenda and presentation materials are distributed to Board and committee members in advance of each meeting, to the extent practicable.

Executive Sessions of the Board/Communications with Directors

Non-management directors meet privately in regularly scheduled executive sessions without the presence of any management. The Lead Director presides over these executive sessions.

Any interested party that wishes to communicate with the Chairman, Lead Director, non-management directors or independent directors individually or as a group may do so by:

 sending correspondence directed to our Secretary, Mr. Kevin G. Nowe. The address can be found in the *General Information* section of this proxy statement in the response to the question *How can I contact the Company, the Board of Directors, the Lead Director or any of the Independent Directors?*

 calling the Company's toll-free HELPLINE (1-877-781-7319). The HELPLINE is accessible twenty-four (24) hours a day. Concerned persons can utilize the HELPLINE on a confidential and anonymous basis.

We will forward any communication regarding our Company to the appropriate director or directors as soon as practicable.

Board Access to Management and Independent Advisors

Board members have complete access to management and the Company's outside advisors.

The Board is authorized to retain, as it deems necessary and appropriate, independent advisors of its choice with respect to any issue relating to its activities.

Assessing the Performance of the Board

The Board's performance is assessed annually to determine whether the Board and its committees are functioning effectively. The Nominating/Corporate Governance Committee oversees this assessment.

Board Committees

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The Board has three standing committees: Audit, Compensation and Nominating/Corporate Governance.

Only independent directors serve on our committees. Directors serving on the Audit Committee must also meet the additional independence and financial literacy qualifications, as required under the Securities Exchange Act of 1934, as amended (the Exchange Act), the listing standards of the NYSE and the rules and regulations of any other applicable regulatory authority.

Each committee has a written charter, which details its duties and responsibilities. The committee charters are posted on our website at www.kennametal.com on the Corporate Governance page, which is accessible under the Investor Relations tab.

Each committee is led by a Chair, who is appointed by the Board annually, based upon the recommendation of the Nominating/Corporate Governance Committee.

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Minutes of each committee meeting are provided to each Board member to assure that the Board remains fully apprised of topics discussed and actions taken. The Chair of each committee also regularly reports at Board meetings on committee matters.

Board of Director Review and Approval of Related Person Transactions

The Board is responsible for the review, approval and monitoring of transactions involving the Company and related persons (generally directors and executive officers or their immediate family members or shareowners owning five percent or greater of the Company's outstanding stock). The Nominating/Corporate Governance Committee assists the Board with the evaluation and monitoring of any of these transactions.

The Board and/or the Nominating/Corporate Governance Committee must review any related person transaction that meets the minimum threshold for disclosure in the proxy statement under the relevant SEC rules (generally, transactions involving amounts exceeding \$120,000 in which a related person has a direct or indirect material interest). The Board and/or the Nominating/Corporate Governance Committee is guided by the following parameters when considering any transaction with a related person:

Related person transactions must be approved by the Board or the Nominating/Corporate Governance Committee, who will approve the transaction only if they determine that it is in the best interests of the Company. In considering the transaction, the Board or the Nominating/Corporate Governance Committee will consider all relevant factors, including, as applicable: (a) the Company's business rationale for entering into the transaction; (b) the alternatives to entering into a related person transaction; (c) whether the transaction is on terms comparable to those available to third parties, or in the case of employment relationships, to employees generally; (d) the potential for the transaction to lead to an actual or apparent conflict of interest and any safeguards imposed to prevent such actual or apparent conflicts; (e) the overall fairness of the transaction to the Company; and (f) if a director is involved in the transaction, whether or not the approval of the transaction would impact his or her status as independent.

The Nominating/Corporate Governance Committee will periodically monitor the transaction to ensure that there are no changed circumstances that would render it advisable for the Company to amend or terminate the transaction. The Nominating/Corporate Governance Committee will also periodically report at Board meetings on related person transaction matters to assure that the Board remains fully apprised of topics discussed and actions taken.

Procedures for review, approval and monitoring of related person transactions are set forth in our Guidelines and include the following:

Management or the affected director or executive officer must bring the matter to the attention of the Chairman, the Lead Director, if any, the Chair of the Nominating/Corporate Governance Committee or the Secretary.

The Chairman will determine whether the matter should be considered by the Board or by the Nominating/Corporate Governance Committee. If the Chairman is involved in the transaction and a Lead Director has been designated, then the Lead Director shall make the determination. If no Lead Director has been designated, the Chairman shall consult with the Chairs of the standing committees to determine whether the matter should be reviewed by the full Board or by the Nominating/Corporate Governance Committee.

If a director is involved in the transaction, he or she will be recused from all discussions and decisions about the transaction.

The transaction must be approved in advance whenever practicable and, if not practicable, must be ratified, amended or terminated as promptly as practicable after proper review.

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Formal Evaluation of the Chief Executive Officer

The Compensation Committee, together with the Lead Director and the rest of the non-management directors, annually evaluates the overall performance of the Chief Executive Officer.

The evaluation is based on objective criteria, including performance of the business, accomplishment of long-term strategic objectives and development of management. For additional information about the Compensation Committee's evaluation of the Chief Executive Officer, as well as how the evaluation is related to compensation decisions, please see the discussion in the *Compensation Discussion and Analysis* section of this proxy statement.

Succession Planning

Each year, the Chief Executive Officer delivers a report on succession planning to the Board, which includes an assessment of senior officers and their potential to succeed the Chief Executive Officer and other senior management positions.

Review of the Guidelines and Code of Business Ethics and Conduct

The Nominating/Corporate Governance Committee annually reviews the Guidelines and the Code of Business Ethics and Conduct and recommends any changes to the Board.

The Board's Oversight of Risk Management

The Board recognizes that companies face a variety of risks, including credit risk, liquidity risk, strategic risk and operational risk. The Board believes an effective risk management system will (1) timely identify the material risks that the Company faces, (2) communicate necessary information with respect to material risks to senior executives and, as appropriate, to the Board or relevant Board Committee, (3) implement appropriate and responsive risk management strategies consistent with Company's risk profile, and (4) integrate risk management into Company decision-making. The Board has designated the Audit Committee to take the lead in overseeing risk management. The Audit Committee makes periodic reports to the Board regarding briefings provided by management and advisors as well as the committee's own analysis and conclusions regarding the adequacy of the Company's risk management processes. The full Board receives an annual overview of the Company's enterprise risk management operations, material risks and uncertainties facing the Company, and the Company's strategic and operational plans for addressing and mitigating those risks. In addition to the formal compliance program, the Board encourages and management promotes a corporate culture that incorporates risk management into the Company's corporate strategy and day-to-day business operations. The Board also continually works, with the input of our management and executive officers, to assess and analyze the most likely areas of future risk for the Company.

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The Board of Directors held six meetings during 2012. Each director attended at least 75% of the total number of meetings of the Board and the committees on which he served (during the periods the director served on the committee). We expect our directors to attend our Annual Meeting absent exceptional circumstances. All of the members of the Board of Directors attended the annual meeting in October 2011, except for Mr. Yost whose absence was due to an exceptional circumstance.

The table below shows committee membership and the number of meetings of the full Board and each committee in 2012.

	Board	Audit	Compensation	Nominating/ Corporate Governance
Carlos M. Cardoso	Chair			
Ronald M. DeFeo	Member		Member	Chair
Philip A. Dur	Member		Member	Member
William J. Harvey	Member		Member	Member
Timothy R. McLevish	Member	Chair		Member
William R. Newlin	Member		Chair	Member
Lawrence W. Strangoener	Member	Member	Member	
Steven H. Wunning	Member	Member	Member	
Larry D. Yost	Member	Member		
No. of Meetings in Fiscal Year 2012	6	8	5	4

Board Committees

The Board has three standing committees: Audit, Compensation and Nominating/Corporate Governance. Each member of these committees is independent under the NYSE's listing standards, SEC regulations and the standards set forth in our Guidelines, as discussed above.

Each committee has a written charter, which details its duties and responsibilities. The committee charters are posted on our website at www.kennametal.com on the Corporate Governance page, which can be found under the Investor Relations tab.

Each committee performs an annual self-evaluation, using the roles and responsibilities outlined in its committee charter as a foundation for the review and evaluation. The Nominating/Corporate Governance Committee reviews and considers the results of each committee's self-evaluation. The Chair of each committee also reports the results of the committee's self-evaluation to the full Board.

Committee Functions

Audit Committee: The Audit Committee assists the Board in overseeing the Company's financial reporting process. You can find additional information about the functions of the Audit Committee under the *Audit Committee Report* section of this proxy statement. The Board has determined that all of the members of the Audit Committee are financially literate, and that Mr. Strangoener and Mr. McLevish each qualify as an audit committee financial expert as that term is defined by SEC regulations.

Compensation Committee: The Compensation Committee's functions include: recommending an overall compensation policy to the Board; having direct responsibility for matters relating to compensation of our executive officers; overseeing the Company's compensation policies and procedures and monitoring risks related to them; advising the Board regarding management succession; and administering our equity compensation plans, cash incentive plans and deferred compensation plans. The Compensation Committee has the authority under its charter to delegate any of its duties and responsibilities (or functions) to a subcommittee of the Compensation

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Committee consisting of one or more members, as appropriate. You can find additional information about the Compensation Committee's functions and processes in the *Compensation Discussion and Analysis* section of this proxy statement.

Compensation Committee Interlocks and Insider Participation: There are no Compensation Committee interlocks and no insider participation in compensation decisions that are required to be disclosed in this proxy statement.

Nominating/Corporate Governance Committee: The Nominating/Corporate Governance Committee's functions include: ensuring that the Board is properly constituted to meet its fiduciary responsibilities; identifying and recommending qualified candidates for membership to the Board; having direct responsibility for matters relating to the compensation of our directors; and recommending directors for committee membership. The committee also takes a leadership role in shaping the Company's corporate governance.

The Nominating/Corporate Governance Committee will evaluate shareowner nominees on the same basis as all other nominees. Section 8 of our By-Laws describes the process by which shareowners may submit director nominations at an annual meeting or special meeting. Any shareowner of the Company who is entitled to vote at a meeting, who has complied with the notice procedures set forth in Section 8 may propose a director nomination. The procedures for a shareowner to nominate a director include, without limitation, the following requirements:

The shareowner must have given timely written notice in proper form, to the Secretary of the Company including, without limitation, the shareowner's name and address. The deadlines for providing notice to the Company of a proposed director nomination for our next annual meeting are set forth in our By-Laws and summarized in the response to the question "What are the procedures for submitting a shareowner proposal or nomination for the 2013 annual meeting?" under the *General Information* section of this proxy statement.

The notice provided to the Secretary of the Company must set forth in reasonable detail information concerning the nominee and must include all information relating to a nominee that would be required to be disclosed in a proxy statement or other filings.

The notice provided to the Secretary of the Company must include a description of all arrangements or understandings between the shareowner making the nomination and any other person or persons (naming such person or persons) pursuant to which the nomination is to be made by the shareowner.

The notice provided to the Secretary of the Company must include a representation that the shareowner making the nomination is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to present the nomination.

The notice provided to the Secretary of the Company must include the consent of each nominee to serve as director of the Company if elected.

The foregoing summary of our shareowner director nomination procedures is not complete and is qualified in its entirety by reference to the full text of our By-Laws that has been publicly filed with the SEC and is available at www.sec.gov.

Board of Directors Compensation and Benefits

The Board has delegated primary responsibility for matters relating to compensation of our directors to the Nominating/Corporate Governance Committee. Because the Nominating/Corporate Governance Committee is also responsible for the recruitment of new directors and ensuring that the Board and committees are properly constituted, the Board believes that compensation matters relating to our directors should also reside with the Nominating/Corporate Governance Committee. The Nominating/Corporate Governance Committee recommends the overall compensation structure for directors to the Board for full review and approval.

Table of Contents***Committee Review of Director Compensation***

The Nominating/Corporate Governance Committee reviews director compensation on a regular basis. Historically, the committee responsible for director compensation matters has undertaken a comprehensive review of our director compensation program no less than once every two years. The Nominating/Corporate Governance Committee has the authority to retain outside advisors in connection with its review and analysis of director compensation matters. The Committee engaged an independent compensation consultant, Pay Governance, in January 2012 to prepare a report on the trends in director compensation to ensure that our program is competitive and appropriate given the Company's objectives and market practices.

Equity Ownership by Directors

The Board believes that directors should hold meaningful equity ownership positions in the Company. Accordingly, a significant portion of overall director compensation is in the form of Company equity, as shown in the *Overview of Director Compensation* section below. Our Stock Ownership Guidelines require our directors to accumulate and maintain equity ownership in the Company having a value of no less than five times the annual retainer within five years of the date they become subject to the policy.

Overview of Director Compensation

We do not pay any additional cash compensation to management employees who serve as directors. In addition, no director who is employed by the Company may serve on any Board committee. Currently, Mr. Cardoso, who serves as the Chairman of the Board, is the only employee of the Company that serves as a director. The compensation paid to Mr. Cardoso, in his capacity as our President and Chief Executive Officer, is included in the 2012 Summary Compensation Table and the related text and compensation tables. Our non-employee directors receive a combination of cash and equity compensation for their services as a director or committee member as described below.

Cash Compensation for Non-Employee Directors

In 2012, our non-employee directors were entitled to receive the following cash compensation:

Annual Cash Retainer	
Lead Director	\$ 59,500
All Other Non-Employee Directors	\$ 34,500
Annual Cash Stipend for Committee Chairman	
Audit Committee	\$ 22,500
Compensation Committee	\$ 18,000
Nominating/Corporate Governance Committee	\$ 16,000
Annual Cash Stipend for Committee Service (other than as Chairman)	
Audit Committee	\$ 10,000
Compensation Committee	\$ 8,000
Nominating/Corporate Governance Committee	\$ 8,000
Equity Compensation	

Equity compensation for our non-employee directors consists of:

Annual Grant of Restricted Stock, Restricted Units or Deferred Stock Credits	\$ 40,000
Stock Options	One-time grant of 14,000 shares upon election to Board of Directors; annual grant of 7,000 shares thereafter.

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Perquisites and Personal Benefits

All non-employee directors receive \$50,000 of life insurance coverage, which is paid for by the Company. Beginning in Fiscal 2012, directors no longer receive tax reimbursements for income imputed to them for the premiums we pay for life insurance coverage. We also reimburse directors for customary travel and related expenses for their attendance at Board or committee meetings.

Deferred Fee Plan

We have a Deferred Fee Plan for outside directors (the *Deferred Fee Plan*). On an annual basis, our non-employee directors may elect to defer payment of all or a portion of the cash fees they are entitled to receive from the Company for their services as a director or committee member all of which amounts will be credited as stock credits under the Directors Stock Incentive Plan (described below).

Directors Stock Incentive Plan

Under the Directors Stock Incentive Plan, any non-employee director may elect (i) to receive shares of the Company's capital stock in lieu of all or a portion of any cash compensation they are otherwise entitled to receive or (ii) to have stock credits credited to an account established by the Company for such participating director.

If a non-employee director elects to receive shares of the Company's capital stock in lieu of all or a portion of the compensation otherwise payable to such director, the director will receive, on the date that the compensation otherwise would have been paid, the number of shares of capital stock of the Company that could have been purchased on that date based on the amount of compensation subject to the election and the fair market value of the Company's capital stock on that date.

If a non-employee director makes a stock credit election, an account established for the non-employee director and maintained by the Company is credited with that number of stock credits equal to the number of shares of capital stock that could have been purchased with the amount of compensation subject to a stock credit election based on the fair market value of the Company's capital stock on the day that the compensation would have been paid to the non-employee director. Dividend equivalents are credited to the account of any director who has elected to receive stock credits in lieu of compensation. Dividend equivalents are calculated at the same rate as the current dividend; there is no preferential or above-market earnings potential for deferrals into stock credits. In the event of a change in control, issued and outstanding shares of capital stock equal to the aggregate number of stock credits in each non-employee director's stock credit account would be contributed to a deferred compensation trust (a so-called *Rabbi Trust*) established by the Company and administered by an independent trustee. Generally, unless a director has selected a different payment option, as permitted under the plan, the director will receive upon his Separation from Service (as defined in the plan) that number of shares of the Company's capital stock equal to the whole number of stock credits in such director's account and cash equal to the fractional stock credits in such account multiplied by the fair market value of the Company's capital stock as of the date of the director's Separation from Service.

Matching Gifts Program

Directors are eligible to participate in our Matching Gifts Program, which is also generally available to all U.S. employees. Under the program, the Kennametal Foundation will match gifts to qualified institutions on a dollar-for-dollar basis up to \$5,000 per calendar year.

Table of Contents**2012 Director Compensation**

The following table shows the actual compensation we paid to our non-employee directors for service on the Board and applicable committees in 2012. Mr. Cardoso does not receive compensation for his service on our Board.

2012 Non-Employee Director Compensation(1)

Name	Fees Earned or	Stock	Option	All Other	Total
	Paid in Cash (\$)(2)	Awards (\$)(3)(4)	Awards (\$)(5)	Compensation (\$)(6)	
Ronald M. DeFeo	57,250	40,002	96,892	144	194,288
Philip A. Dur	50,500	40,002	96,892	360	187,754
William J. Harvey	50,500	40,002	96,892	1,436	188,830
Timothy R. McLevish	62,083	40,002	96,892	123	199,100
William R. Newlin	58,314	40,002	96,892	5,582	200,790
Lawrence W. Stranghoener	52,450	40,002	96,892	5,123	194,467
Steven H. Wunning	52,528	40,002	96,892	186	189,608
Larry D. Yost	66,950	40,002	96,892	582	204,426

(1) Mr. Cardoso, our President and Chief Executive Officer, is also the Chairman of our Board. Mr. Cardoso's compensation for serving as our President and Chief Executive Officer is reported in the Summary Compensation Table and other compensation tables set forth herein. Mr. Cardoso does not receive any additional compensation for his service on our Board.

(2) Our directors may elect to receive these fees in cash, in shares of our capital stock, or in deferred stock credits.

(3) On August 1, 2011, each non-employee director received a grant of restricted units with a grant date fair value of \$40,002 (rounded to the nearest whole share) or deferred stock credits amounting to \$40,002 (for those who elected to defer their restricted unit awards into deferred stock credits). Restricted unit awards vest 33% per year over a three year period beginning on the first anniversary of the grant date. Deferred stock credits may not be paid until the third anniversary of the grant date. The aggregate number of stock awards held by each director as of June 30, 2012 is set forth below in the Supplemental Table to 2012 Non-Employee Director Compensation Table.

The values set forth in this column are based on the aggregate grant date fair value of the awards computed in accordance with FASB ASC Topic 718 (excluding the effect of estimated forfeitures). Please refer to Note 17 to the financial statements included in Kennametal's Annual Report on Form 10-K for 2012 for a discussion of additional assumptions used in calculating grant date fair value.

(4) For their Fiscal 2012 annual grants, our directors could elect to receive restricted units or deferred stock credits. We pay dividends on unvested restricted stock shares and dividend equivalents on unvested restricted units during the restriction period, but the dividends are not preferential. For those directors who elected to defer their restricted unit awards into deferred stock credits, their accounts are credited quarterly with dividend equivalents, but again, these are not preferential.

(5) On August 1, 2011, each non-employee director received a grant of 7,000 stock options with a grant date fair value of \$96,892. These stock option awards vest 33% per year over a three year period beginning on the first anniversary of the grant date. The exercise price for each award is determined by taking the closing price on the grant date as quoted on the New York Stock Exchange Composite Transactions reporting. The aggregate number of option awards held by each director as of June 30, 2012 is set forth below in the Supplemental Table to 2012 Non-Employee Director Compensation Table.

The values set forth in this column are based on the aggregate grant date fair value of the awards computed in accordance with FASB ASC Topic 718 (excluding the effect of estimated forfeitures). Please refer to Note 17

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to the financial statements in Kennametal's Annual Report on Form 10-K for 2012 for a discussion of additional assumptions used in calculating grant date fair value.

- (6) These amounts consist of premiums paid by the company for life insurance. For Messrs. Harvey, Newlin and Stranghoener, the amounts also include donations made by us on behalf of the directors to charitable organizations under the Matching Gifts Program described above.

Supplemental Table to 2012 Non-Employee Director Compensation Table

Name	Aggregate Options Outstanding at Fiscal Year End	Aggregate Unvested Stock Awards Outstanding at Fiscal Year End	Aggregate Deferred Unvested Stock Awards Outstanding at Fiscal Year End(a)
Ronald M. DeFeo	51,000	2,640	
Philip A. Dur	46,260	2,640	
William J. Harvey	21,000		1,042
Timothy R. McLevish	69,000	992	2,998
William R. Newlin	69,000	2,640	
Lawrence W. Stranghoener	69,000		4,529
Steven H. Wunning	60,000	2,640	
Larry D. Yost	75,000		4,529

- (a) Represents restricted stock units that have been deferred into deferred stock credits and have not yet vested.

AUDIT COMMITTEE REPORT**Functions of the Audit Committee**

The Audit Committee (we or the committee) assists the Board in its oversight of: the quality and integrity of the Company's financial statements, internal controls and disclosures; the Company's compliance with legal and regulatory requirements; the performance, qualifications and independence of the Company's independent auditors; and the performance of the internal audit function. We have the sole authority to appoint, retain, terminate and replace the Company's independent auditors, subject to shareowner ratification with respect to retention at the next regularly scheduled annual meeting of shareowners. We perform an annual self-assessment to evaluate the composition, activities and interactions of the committee and submit the results of the self-assessment to both the Nominating/Corporate Governance Committee and the Board.

Responsibilities

Management is responsible for the Company's financial reporting process and system of internal controls and for the preparation and presentation of consolidated financial statements in accordance with accounting principles generally accepted in the United States (GAAP). The independent auditors are responsible for planning and carrying out an audit of the financial statements and internal control over financial reporting in accordance with standards established by the Public Company Accounting Oversight Board (PCAOB) and issuing a report on that audit. Our responsibility is to provide oversight to these processes. We do not certify the financial statements or guarantee the auditor's report. To fulfill our oversight role, we rely (without independent verification) on the information provided to us, the representations made by management and the independent auditors and the report of the independent auditors.

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Complaints

Anyone, including any Company employee, who has a complaint or concern regarding the Company's accounting, internal auditing controls or auditing matters may communicate that complaint or concern to the committee:

in writing directed to the Vice President, Secretary and General Counsel, Kennametal Inc., 1600 Technology Way, P.O. Box 231, Latrobe, Pennsylvania 15650-0231

by calling the Company's toll-free HELPLINE (1-877-781-7319). The HELPLINE is accessible twenty-four (24) hours a day. Concerned persons can utilize the HELPLINE on a confidential and anonymous basis.

Monitoring Activities in 2012

We held eight (8) meetings in 2012. During these meetings, we discussed with management, the internal auditors and the Company's independent auditors, PricewaterhouseCoopers LLP (PwC) (to the extent applicable), the quality and adequacy of the Company's internal control over financial reporting, the internal audit function's organization, responsibilities, budget and staffing and the results of internal audit examinations. We also reviewed with both PwC and the internal auditors their respective audit plans, audit scope and identification of audit risks, and met separately with PwC and with the internal auditors, without management present, to discuss the results of their examinations, their evaluations of the Company's internal control over financial reporting and the overall quality of the Company's financial reporting. We reviewed the interim financial information contained in each quarterly earnings announcement and each Form 10-Q filed with the SEC in 2012 and discussed this information with PwC and with the Company's Chief Financial Officer and Corporate Controller prior to release. We also reviewed and discussed with both management and PwC the audited financial statements for the year ended June 30, 2012 prior to release.

The discussions with PwC included the matters required by GAAP, including those described in Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1 AU section 380), as adopted by the PCAOB in Rule 3200T, related to communication with audit committees. We received from PwC written disclosures and the letter required by applicable requirements of the PCAOB regarding PwC's communications with us concerning their independence, and discussed with PwC their independence.

Based on these reviews and these meetings, discussions and reports, we have recommended to the Board of Directors that the Company's audited consolidated financial statements be included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2012 for filing with the SEC. We have retained PwC as the Company's auditor for the fiscal year ending June 30, 2013, and are submitting that decision for shareowner ratification at the Annual Meeting as discussed below.

Audit Committee

Timothy R. McLevish, Chair

Lawrence W. Stranghoener

Steven H. Wunning

Larry D. Yost

Table of Contents**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****Proposal II. Ratification of the Selection of the Independent Registered Public Accounting Firm**

The Audit Committee has retained PwC as the Company's independent auditors for the fiscal year ending June 30, 2013. As a matter of good corporate practice, the Audit Committee is submitting its selection to our shareowners for ratification at the Annual Meeting. Unless otherwise directed by the shareowners, proxies will be voted in favor of the ratification of the selection of PwC as the Company's independent auditors for the fiscal year ending June 30, 2013. In the event that this selection is not ratified by the shareowners, the Audit Committee will consider this vote in determining its future selection of an auditor. Even if the selection is ratified, the Audit Committee in its discretion may change the appointment at any time during the year if it determines that a change would be in the best interests of the Company and its shareowners.

Representatives of PwC attended all meetings of the Audit Committee held during 2012. The Audit Committee reviewed the non-audit services provided by PwC in 2012 and, based on that review, determined that the non-audit services provided by PwC were compatible with maintaining the independence of PwC.

Representatives of PwC will attend the Annual Meeting, and will have the opportunity to make a statement at the meeting if they wish. They also will be available to respond to appropriate questions from shareowners in accordance with the rules of the meeting.

Fees and Services

Fees for professional services (including expense) rendered by PwC to the Company and its subsidiaries in 2011 and 2012 were as follows (in millions):

	2011	2012
Audit Fees(1)	\$ 4.5	\$ 4.7
Audit-Related Fees		
Tax Fees(2)	0.3	0.8
All Other Fees		
TOTAL	\$ 4.8	\$ 5.5

(1) These fees relate to services provided for the audit of the consolidated financial statements, subsidiary and statutory audits, the issuance of consents and assistance with the review of documents filed with the SEC. Also included are fees for services related to the audit of the Company's internal control over financial reporting.

(2) These fees relate primarily to tax compliance services, tax planning advice and tax audit assistance.

Audit Committee Pre-Approval Policy

The Audit Committee annually adopts a policy for pre-approval of audit and non-audit services to be provided by the independent auditors. Under the policy, the Audit Committee pre-approves categories of services and fee caps for each category. The pre-approved services include: (i) audit services, such as statutory audits and internal control-related services, services associated with regulatory filings and consultations regarding disclosure treatment of certain transactions or events; (ii) audit-related services, such as due diligence and accounting consultations; (iii) tax services, such as tax compliance (domestic and international) and tax planning and advice; and (iv) other permissible non-audit services that the Audit Committee believes will not impair the auditor's independence. The Audit Committee must specifically pre-approve the terms of the annual audit services engagement. All other audit and permissible non-audit services not specifically covered by the policy, and any proposed services which materially exceed the pre-approved fee levels, require separate specific pre-approval by the Audit Committee. The Audit Committee may delegate specific engagement pre-approval authority to one or more of its members. The member(s) to whom such authority is delegated must present any pre-approval decisions to the Audit Committee at a subsequent scheduled meeting for review and ratification. The policy requires the auditor to provide the Audit Committee with detailed supporting documentation regarding the specific services to be provided.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE SELECTION OF PwC AS THE COMPANY'S INDEPENDENT AUDITORS FOR THE FISCAL YEAR ENDING JUNE 30, 2013.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

The following is a discussion and analysis of our compensation programs as they apply to our Chief Executive Officer, Chief Financial Officer and the next three most highly compensated executive officers in Fiscal 2012, all of whom were serving as executive officers of the Company as of the end of Fiscal 2012 (our "NEOs").

Our NEOs for Fiscal 2012 were as follows:

Carlos M. Cardoso: Chairman, President & Chief Executive Officer ("CEO")

Frank P. Simpkins: Vice President & Chief Financial Officer ("CFO")

Philip H. Weihl: Vice President Integrated Supply Chain and Logistics

John R. Tucker: Vice President & President Business Groups

John H. Jacko, Jr.: Vice President & Chief Marketing Officer

In this Compensation Discussion and Analysis ("CD&A"), we discuss our compensation policies and practices as they relate to our NEOs, compensation decisions made in Fiscal 2012 affecting our NEOs' compensation, highlights of the Company's financial performance for Fiscal 2012 and its effect on compensation paid to our NEOs in that year and recent changes we have made to our executive compensation program.

Executive Summary

The following is an overview of our executive compensation philosophy and programs as detailed further in this CD&A:

The objectives of our executive compensation program are to: attract and retain exceptional talent; recognize individual contributions to the Company; focus our executives' attention on the attainment of significant business objectives; create long-term shareowner value; ensure alignment between management's interests and the interests of our shareowners; share the financial benefits of strong Company performance; and maintain executive compensation at a competitive level.

Our Compensation Committee has engaged an independent compensation consultant, Pay Governance, to assist with the ongoing review of our executive compensation program to ensure that our program is competitive and appropriate given the Company's objectives and market practices.

The compensation program for our executive officers consists of the following three primary components: base salary; an annual cash-based incentive program; and equity-based long-term incentive awards consisting of stock options, restricted units and performance units.

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We generally target total compensation for each of our executives at the median level for executives in similar positions within our industry and peer group. We may deviate from the median if, in the judgment of the Compensation Committee, the value of an executive's experience, performance and specific skill set warrants.

The Compensation Committee believes that executive compensation should be tied both to individual performance and Company performance, which is why a substantial portion of the compensation provided to our executive officers is at risk.

Our annual cash-based incentives are aligned directly with critical measures of Company performance, consistent with our pay-for-performance philosophy.

Our long-term incentive program is intended to drive the achievement of critical long-term business objectives, align management's interests with those of our shareowners and foster retention of key executives. For Fiscal 2012, 50% of the target value of each executive's long-term incentive opportunity was granted in the form of performance units, 30% was granted in the form of stock options and 20% was granted in the form of restricted units.

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Vesting of our long-term incentive performance units is based on the attainment of a pre-established financial performance goal. The performance unit awards are subject to an additional continuous service requirement, which provides that award recipients must remain employed by the Company through the payout date in order to receive the payout, generally three years after the grant date. Restricted units and stock options time vest based on continuous service with the Company. All equity awards are stock-settled and, as a result, link our executives' compensation to future stock price performance and, if earned, will increase our executives' stock ownership levels.

In lieu of providing individual perquisites, executives receive a \$20,000 annual perquisite allowance to be used in their discretion, an amount which the Company believes is reasonable based on competitive market practices.

Highlights of Kennametal's Fiscal 2012 Financial Performance and Links to our Performance-Based Awards

The Company achieved annual performance records in sales, profitability and returns for Fiscal 2012 as described below:

Sales of \$2.7 billion for Fiscal 2012, compared with \$2.4 billion in Fiscal 2011, an increase of 14%.

Reported earnings per share (EPS) of \$3.77 compared with reported EPS of \$2.76 in Fiscal 2011, an increase of 37%.

Adjusted return on invested capital (ROIC) for Fiscal 2012 increased to 16.3% from 14.8% in Fiscal 2011.

Earnings Before Interest and Tax (EBIT) margin performance results for Fiscal 2012 was 15.9% compared to 14.1% for Fiscal 2011. Please see Appendix A to this proxy statement for a reconciliation of our adjusted ROIC and EBIT results to our results reported in accordance with GAAP.

The Company's Fiscal 2012 financial performance had the following effects on the outstanding performance-based awards held by our NEOs:

For those executives whose 2012 Prime Bonus Plan awards were based 100% on Kennametal sales growth, EPS, ROIC, and On-Time Performance (Messrs. Simpkins, Tucker and Jacko and Mr. Cardoso with respect to Component (1) of his 2012 Prime Bonus Plan award), the 2012 annual incentive awards were earned with payouts ranging from 124.5% to 127.7% of target, due to the fact that actual performance for Fiscal 2012 exceeded the target level for many of the underlying performance goals for the period (as hereinafter described). The 2012 annual incentive award paid to Mr. Wehl, whose award was based 40% on the Kennametal metrics described above, and 60% on EBIT results specifically for our Integrated Supply Chain and Logistics function (ISCL) and additional weighting on Kennametal On-Time Performance, earned a payout at 73.5% of target, as actual ISCL EBIT performance for Fiscal 2012 was below threshold level; and On-Time Performance was above threshold, but below target.

The first tranche (1/3) of the 2012 long-term performance units were earned (subject to satisfaction of the continuous employment condition) at 93.9% of target based on the Company's having achieved EBIT margin for Fiscal 2012 being above threshold but below target.

The second tranche (1/3) of the 2011 long-term performance units were earned (subject to satisfaction of the continuous employment condition) at 200% of target based on the Company's having achieved EBIT margin for Fiscal 2012 above maximum.

Results of 2011 Shareowner Vote on NEO Compensation

At our October 2011 annual meeting of shareowners, we held our first shareowner advisory vote to approve the compensation paid to our NEOs, commonly referred to as the "Say-on-Pay" vote, as required by Section 14A of the Exchange Act. At the meeting, our shareowners overwhelmingly approved the compensation paid to our NEOs as described in last year's proxy statement, with over 95% of votes cast in favor of

approving the compen-

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sation paid to our NEOs in Fiscal 2011. As we evaluated our compensation policies and practices throughout the remainder of Fiscal 2012 and the early part of Fiscal 2013, in connection with the Compensation Committee's determination of Fiscal 2013 executive compensation, we were mindful of the strong support our shareowners expressed for our pay-for-performance philosophy, which is designed to link the compensation paid to our NEOs to the Company's financial performance and shareowner value. Accordingly, the Compensation Committee decided to retain our general approach to executive compensation, with an emphasis on performance-based incentive compensation components that reward our executives when they deliver value to the Company and our shareowners.

Summary of Compensation Actions for Fiscal 2012

The following information highlights the Compensation Committee's key incentive program design decisions for Fiscal 2012, which were made in July 2011. These decisions, made with the advice of the Compensation Committee's independent consultant, Pay Governance, are discussed in greater detail throughout the CD&A. The key compensation decisions were as follows:

Added an On-Time Performance metric (hereinafter described) to our Prime Bonus design to ensure a global focus on customer centricity.

Selected a safety modifier (providing for upward or downward adjustment of +/- 10%) to our Prime Bonus design based on the Company's performance against a recordable incident rate reduction plan, which the Compensation Committee considers to be a key measure of employee safety.

Maintained the design of our long-term incentive (LTI) program to provide for the granting of performance unit awards, which are stock-settled, instead of long-term incentive cash awards, which the Company has used in the past.

Executive Compensation Philosophy

Kennametal's executive compensation philosophy is premised on the following basic principles, which we believe form the foundation of an effective and responsible compensation program:

Pay-for-Performance. Executive compensation should be tied to both individual performance and Company performance (annual and long-term).

Link Fixed and Variable Components of Compensation to Levels of Responsibility and Accountability. As our executives progress to higher levels of responsibility within the Company, a greater proportion of their overall compensation should be linked directly to Company performance and shareowner returns.

Promote a Long-Term Perspective. Our compensation program should promote the long-term focus and strategic vision required for our future growth and success.

Offer Competitive Compensation. We believe that highly-qualified and skilled executives can differentiate us and provide a competitive advantage in the marketplace. Our objective is to offer compensation that is competitive with that offered by other companies that compete with us for talent.

The Compensation Committee has responsibility for the oversight and administration of our executive compensation program. The Compensation Committee works with its independent compensation consultant and members of our management to collect and analyze relevant data during the compensation decision-making process, but it is the Compensation Committee that ultimately oversees and approves all compensation matters regarding our executives, including our NEOs.

Objectives of the Executive Compensation Program

To support our overall compensation philosophy, we have designed our executive compensation program to:

Attract and retain exceptional talent

Recognize individual contributions to the Company

Focus our executives' attention on the attainment of significant business objectives and the creation of long-term shareholder value

Ensure alignment between management's interests and the interests of our shareholders

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Share the financial benefits of strong Company performance

Maintain executive compensation at a competitive level

Design of Our Executive Compensation Program**Overall Design of the Executive Compensation Program**

Each of our executives receives a compensation and benefits package comprised of the five basic components described in the table below which also provides an explanation of why we provide the particular compensation component, how we determine the amount and what such compensation component is designed to reward.

Compensation		What it is Intended to	
Component	Why We Provide it	How We Determine the Amount	Reward
Base Salary	Consistent with competitive practice	Approximately the median of similarly-sized manufacturing companies	Individual performance and level of experience, expertise and responsibility within the Company
	To link pay and performance	Awards are performance-based and calculated as a percentage of base salary:	Annual Company performance and individual performance
Annual Incentive	To drive the achievement of annual business objectives	Target based on median of market practice for executive's position; and	
Prime Bonus		Award opportunities are determined on an individual basis and range from below median to above median for similar positions in peer group of companies	
	Consistent with competitive practice To link pay and performance	Total long-term incentive opportunity is determined on an individual basis based on the executive's performance and career potential (internal and individual factors), and taking into account the long-term compensation paid by our competitors for similar positions	Long-term Company performance and individual performance
Long-term			
Incentives (including stock	To drive the achievement of critical long-term business objectives		Performance Units - increased shareowner value and overall Company performance over the long-term
options,			
restricted units	To align management's interests with those of our shareowners	For Fiscal 2012, the total long-term incentive opportunity was allocated between performance units (50%), stock options (30%) and restricted units (20%)	Stock Options - increased shareowner value over the long-term (10 years)
and			
performance	Foster the long-term retention of key executives	Performance unit awards are performance based:	Restricted Units - long-term commitment to the Company
units)			
	Consistent with competitive practice	Target based on median of market practice for executive's position; and	
		Award opportunities are determined on an individual basis and range from below median to above median for	

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Retirement	Consistent with competitive practice	similar positions in peer group of companies Competitive market practices and Company-specific circumstances	To provide long-term financial security to executives who have demonstrated a long-term commitment to the Company
Benefits Executive	Consistent with competitive practice	Approximately the median of peer group of companies	Executive contributions to our Company s short-term and long-term success.
Benefits and Perquisite Allowance	Provides a level of protection against the financial catastrophes that can result from illness, disability or death		

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We have designed our executive compensation program to target total compensation for each of our executives at the median level for executives in similar positions within our industry and peer group. Actual compensation paid to any particular executive may be above or below median compensation depending on Company and individual performance. We believe that target compensation under our incentive plans should allow for above-median compensation for exceptional performance, as well as below-median compensation when performance falls below our expectations. Also, we may deviate from the median if, in the judgment of management and/or the Compensation Committee, the value of an executive's experience, performance and specific skill set warrants. For individual executives, compensation may also vary depending on the executive's experience, responsibility and expertise, such person's contribution to our business strategy and the market's demand for such skills and talent. The foundation of our program is based on a system of market pricing. Each executive's compensation is benchmarked against those of executives in comparable positions in the competitive market and, in some cases, against a peer group of companies. This benchmarking process as well as an internal assessment of the particular position's internal value to the Company, scope and complexity of responsibilities generally defines a range of opportunities for base salary, annual incentives and long-term incentives. The pay ranges give the Compensation Committee flexibility to position individual compensation above or below market median levels depending on the individual's job performance, professional qualifications, business experience, technical expertise and career potential.

Factors that Influence Compensation

The Compensation Committee believes that an effective compensation program reflects a balance between individual factors (*i.e.*, level of responsibility, skills, experience, expertise and individual performance), organizational measures (*i.e.*, Company or business unit performance), and external or market factors (*i.e.*, competitive benchmarking and survey data). We incorporate each of these factors into the design of our executive compensation program. Accordingly, we compensate our executives based upon an assessment of:

Individual Performance. All of our executives are evaluated against an annual, individual performance plan. The performance plan is based on individual performance objectives that will further the goals of the executive's business unit, if applicable, and the strategic goals of the Company as a whole. These objectives are reviewed and assessed every quarter by the executive and his or her manager. At the end of the fiscal year there is a comprehensive analysis of the executive's actual performance vis-à-vis the individual's performance plan, and that analysis is provided to the Compensation Committee for review.

Company Performance. One of the main objectives of our compensation philosophy is to align our executive officers' compensation with the performance of the Company (pay-for-performance). When making compensation decisions related to our executives, the Compensation Committee evaluates the Company's achievement of pre-established internal metrics (which are predicated on our annual and long-term financial plans and goals, along with other strategic and operational initiatives) and external measures (which are predicated on external factors such as our market valuation and growth in our stock price).

Market Intelligence. Individual and Company performance are weighted most heavily in compensation decisions. However, when appropriate, the Compensation Committee also considers external factors, such as market and survey data and pay positioning for our executives relative to market data, as explained in further detail below under the subheading *Pay Positioning Relative to Market Benchmarking*.

Relationship Between Pay and Performance

In January 2012, our Compensation Committee reviewed the relationship between our CEO's realizable compensation (defined below) and the Company's performance from Fiscal 2009 through Fiscal 2011 (the Reviewed Period) which was the period that both compensation and performance data was readily available for our peers. The analysis, which was prepared by the Compensation Committee's consultant, Pay Governance, compared our CEO's realizable compensation and the Company's performance, relative to our peer group, in order to assess whether the Company's performance and the realizable compensation paid to our CEO were aligned. The peer group utilized for this analysis is the same peer group utilized for the Fiscal 2012 compensation decisions made by the Compensation Committee at its July 2011 meeting.

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Realizable compensation is defined as (i) base salary paid over the Reviewed Period, (ii) actual bonus earned and paid during the Reviewed Period, (iii) the aggregate current value of restricted stock/restricted unit grants made during the Reviewed Period, (iv) the aggregate in-the-money value of stock option grants made during the Reviewed Period, and (v) the actual payouts of performance-based equity awards with performance periods beginning and ending during the Reviewed Period, and (vi) the estimated payout for performance-based equity awards that were granted during the Reviewed Period but remained unvested at its conclusion. Realizable compensation was calculated in the same manner for our CEO and the CEOs of our peer group companies. The realizable value of long-term equity-based awards was calculated using each company's closing stock price on June 30, 2011. The Company believes that realizable compensation is a more relevant measure for analyzing the pay-for-performance alignment than grant date or target compensation. Realizable pay focuses on the actual value of earned pay rather than pay opportunity by analyzing current stock prices and actual payouts from short- and long-term incentives to provide an estimate of the actual compensation that executives realized during the subject period.

The financial performance of the Company and the peer companies were evaluated over the same three-year period as realizable compensation using the following three (3) performance measures: (i) ROIC; (ii) EBIT growth; and (iii) total shareholder return (TSR). Two of these measures (ROIC and EBIT growth) were selected because they are used in the Company's short-term and/or long-term incentive plans and were considered by Pay Governance to be reasonable indicators of a company's performance. The Company's percentile ranking for each performance measure relative to the peers was averaged to form a composite performance ranking.

Over the Reviewed Period, our CEO's realizable compensation ranked modestly above the median (60th percentile) of the peer group while our composite performance (average ranking of all three performance metrics) ranked modestly below the median (42nd percentile) of the peer group. When considering TSR only, the Company's relative performance ranked at the 58th percentile (while, as noted above, the CEO's realizable compensation ranked at the 60th percentile demonstrating strong alignment). The Compensation Committee continues to analyze the alignment of realizable compensation and the Company's performance in order to observe such things as:

The appropriateness of targeted pay levels relative to peers

Whether the mix of fixed versus variable compensation is appropriate

Whether performance goals have been set at an appropriately challenging level over the three-year period analyzed

Whether the weighting assigned to each long-term incentive vehicle is weighted appropriately resulting in an acceptable amount of leverage

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Based on this analysis, the Compensation Committee is satisfied with the alignment of our CEO's realizable compensation with the performance of the Company. The chart below provides an illustration of this realizable pay-for-performance analysis over the Reviewed Period.

Variable Compensation and Promotion of a Long-Term Perspective

We increase the variable component of compensation for our executives as they progress through our management levels and adjust the ratio of short-term to long-term compensation to promote accountability and a long-term perspective. We structure our executive compensation program so that the proportion of variable versus fixed compensation increases as the role and responsibility of the executive increases. We think this is appropriate because the executives are best positioned to be able to affect the Company's performance, and therefore they should receive a substantial portion of total compensation value in the form of long-term incentives that measure and reward Kennametal's performance over a period of greater than one year. The table below illustrates that the actual percentage of variable pay relative to total compensation depends on the executive's position within the Company. Generally speaking, the higher an executive's position within the Company, the greater the proportion of variable pay that is linked to Company performance and shareowner return metrics. Similarly, as an executive rises to positions of greater responsibility within our Company, short-term compensation begins to decrease proportionally and long-term compensation represents a greater proportion of total compensation.

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The following chart summarizes the breakout of fixed versus variable compensation and short-term versus long-term compensation paid to our NEOs in Fiscal 2012.

Title	Fixed vs. Variable Breakout		Short-Term Long-Term Breakout	
	% of Annual Compensation Fixed	% of Annual Compensation Variable	% of Short-Term Compensation	% of Long-Term Compensation
Chairman, President and CEO	16	84	35	65
Vice President and CFO	29	71	51	49
Vice President, Integrated Supply Chain and Logistics	32	68	54	46
Vice President & President Business Groups	34	66	60	40
Vice President & Chief Marketing Officer	37	63	58	42

Competitive Compensation*Pay Positioning Relative to Market Benchmarking.*

When we make compensation decisions, we compare the compensation paid to our executive officers to the compensation paid to similarly-positioned executives at other companies within our industry to gain a general understanding of current market compensation practices for these positions. Specifically, we benchmark total compensation levels and certain of the individual elements of our compensation packages (mainly base salary, annual incentives (together, total cash compensation) and long-term incentives (together with total cash compensation, total direct compensation)) to both published survey data of comparable companies and to a custom peer group of public companies within the manufacturing industry. Benchmark data is part of the external information we consider when designing and executing our compensation programs.

Pay Governance, the Compensation Committee's compensation consultant, assists the Compensation Committee in its benchmarking efforts. Pay Governance collects compensation data for our peer group companies from available sources, including, in most cases, the executive compensation data included in the most recently available annual proxy statement for each company. Pay Governance can also provide survey data representing industry-specific and general industry companies included in the Towers Watson executive compensation databases. Pay Governance, in consultation with management, provides the Compensation Committee with the results of its benchmarking efforts on an annual basis. The benchmarking data helps us assess the competitiveness of our executives' compensation compared to that of other executives at our peer companies and in the broader market. We also use the data to help ensure proper alignment between executive and shareholder interests, and to assess compensation versus Company performance.

When we evaluate our compensation structure, we compare the target range for total direct compensation, the mix of compensation components and the allocation of those components in our executives' individual compensation packages against benchmark data. Each year, we evaluate the total cash compensation and total direct compensation we provide to our executives against the benchmark data to determine whether our compensation structure accurately reflects our goal of providing compensation at approximately the median level within our peer group and industry. We analyze both target compensation opportunities as well as the actual compensation paid to our executives. The Compensation Committee considers this information, along with data provided by Pay Governance and Company and individual performance factors when it sets compensation levels.

We use the same peer group for compensation purposes as we do for comparing our financial performance. We periodically review our peer group to ensure that the peer companies continue to be appropriate comparisons for performance purposes and for compensation purposes. Many of the companies in our current peer group are included because they are similar to Kennametal in terms of revenue, market capitalization, operational scope, or organizational complexity. While some of the peers are smaller than we are, others are larger. Nevertheless, we include these companies to help us understand the effect size and complexity has on compensation levels and designs.

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The following companies comprised our peer group for both performance and compensation purposes for Fiscal 2012:

Allegheny Technologies Incorporated	Harsco Corporation
Ametek Inc.	Joy Global Inc.
Barnes Group Inc.	Lincoln Electric Holdings, Inc.
Carpenter Technology Corporation	Pall Corporation
Crane Co.	Parker-Hannifin Corporation
Donaldson Company, Inc.	Pentair, Inc.
Dresser-Rand Group Inc.	Sauer-Danfoss, Inc.
Flowsolve Corp.	Teleflex Incorporated
Greif Inc.	The Timken Co.

For Fiscal 2013, the Compensation Committee approved the same peer companies listed above, however, decided to eliminate the largest and the smallest companies, in terms of revenues, in the group when using the peer group to determine market compensation levels.

How Compensation Decisions Are Made

Role of the Compensation Committee and CEO in Determining Executive Compensation.

The Compensation Committee is responsible for designing and implementing our executive compensation program, evaluating executive performance, including that of the Chairman, President and CEO, and overseeing the development of executive succession plans. All of the members of our Compensation Committee have been deemed by our Board to be independent. The Compensation Committee solicits information from our management and from the Committee’s compensation consultant during the compensation-setting process, but it is the Compensation Committee that ultimately sets and approves compensation for our CEO and all other executives.

The Compensation Committee uses substantially the same process for determining CEO compensation as it uses for determining the other executive officers’ compensation. Each year, the Compensation Committee reviews all components of compensation for the CEO and for each of our other executives over the course of several regularly-scheduled meetings from April to July. Final compensation decisions are made in July for the current fiscal year. The Compensation Committee is assisted in its review by members of management, the human resources department, and its compensation consultant.

In keeping with our compensation philosophy, the Compensation Committee considers three main categories of information with respect to each executive: (i) individual performance; (ii) Company performance; and (iii) market data. The Compensation Committee evaluates each executive’s current compensation and solicits input from management on the executive’s future potential, performance for the year, leadership skills, and contribution to the Company’s performance. The Compensation Committee also considers factors relating to the Company, such as our overall performance and achievement of specific strategic and operational initiatives. Finally, the Compensation Committee assesses the market competitiveness of each executive’s total compensation package.

CEO Compensation. The Compensation Committee meets with the CEO each year in July (the beginning of our fiscal year) to set the CEO’s performance goals (both individual and Company objectives) for the fiscal year. These goals are then reflected in the CEO’s individual performance plan for the year. The CEO periodically reports on his progress with respect to his performance goals at Compensation Committee meetings throughout the year. At the end of the year, the Compensation Committee evaluates, in consultation with the Lead Director and the rest of the non-management directors and the Board generally, as it deems necessary or appropriate, the CEO’s performance against the goals included in his performance plan for the year and determines and approves the CEO’s compensation based in part on his achievement of those goals and in part on the Company’s performance, while taking in to account the overall objectives of our compensation program. The Compensation Committee also considers the compensation being paid to other chief executive officers at similarly situated companies in making compensation decisions affecting the CEO.

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Other Executives Compensation. Each year in August, each of our other executives must also develop an individual performance plan for the fiscal year (with goals that align with the CEO's objectives, and include individual and Company objectives). These plans are discussed with and approved by the CEO and the executives report to the CEO on their progress towards the achievement of the goals set forth in their plans periodically throughout the year. At the end of the year, the CEO and the Compensation Committee together assess the performance of our other executives. Based upon these evaluations and recommendations from the CEO, the Compensation Committee determines the other executives compensation. The other executives do not play a role in the determination of their compensation, other than discussing individual performance objectives and achievements with the CEO.

Role of the Compensation Consultant.

At its July 2010 meeting, the Compensation Committee approved the retention of Pay Governance to provide compensation consulting services to the committee. Pay Governance has been providing such services since September 2010 and provides no other services to the Company. The Compensation Committee annually reviews the retention of Pay Governance.

The role of the compensation consultant is to make sure the Compensation Committee has the objective information and expertise necessary to make informed decisions that are in the best long-term interests of our business and shareowners. The compensation consultant also keeps the Compensation Committee informed as to compensation trends and developments affecting public companies in general and the manufacturing industry in particular. The Compensation Committee solicits advice and counsel from Pay Governance on all matters related to executive compensation design and delivery. Specifically, Pay Governance provides the following types of services to the Committee:

Competitive data and benchmarking analytics for all components of pay for executive officers (including the CEO)

Equity dilution, value sharing, and performance assessment analyses relative to peers

Compensation program analysis, redesign considerations, and recommendations

Tax, accounting, regulatory, and other compensation-related education

Individual pay considerations for the CEO, as well as executive officer promotions and new hires

Review of compensation plan payouts for the CEO and executive officers

Assessment of risk regarding compensation policies and practices

Assessment of pay-for-performance alignment

CD&A statement review and recommendations

A Pay Governance consultant attends most Compensation Committee meetings and may attend executive sessions at the request of the Committee. Consultants from Pay Governance also collaborate with our management team for purposes of meeting planning, program design and analysis and other logistics, but all executive compensation-related services performed by Pay Governance are ultimately at the direction of the Compensation Committee.

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The Compensation Committee reviews the fees and performance of its consultant each year and provides feedback to the Board as necessary. The Compensation Committee has the authority to terminate the relationship with its consultant at any point in time.

Components of our Executive Compensation Program

The following discussion is intended to provide a general overview of the compensation setting process, which is a very disciplined process that is applied consistently for our CEO and all other executives, and the various factors that the Compensation Committee considers when it engages in this process.

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Base Salary

Base salary is the fixed element of our executives' annual compensation. We pay it to provide a competitive level of fixed income for our executives. We target base salary levels for each executive position at median pay levels for similar positions in the market. The level of base salary an executive receives depends upon an annual evaluation of the executive based on certain objective and subjective factors. Objective factors include the executive's level of responsibility, skills and training, accomplishment of the goals set forth in such person's annual individual performance plan, and, for newer executives, prior experience. Subjective factors include the Compensation Committee's assessment of the executive's future potential and individual contributions. The Compensation Committee evaluates the CEO with input from the Lead Director and the other non-management Board members as noted above. The CEO evaluates each of the executives who report directly to him. Both objective and subjective factors are considered, as relevant, and the CEO makes recommendations to the Compensation Committee for changes to base salary (other than his own) during the annual compensation setting process. The Compensation Committee evaluates the CEO's and other executives' base salary on an annual basis, and may make changes in its discretion as part of the broader compensation setting process.

In setting the NEOs' base salaries for Fiscal 2012, the Compensation Committee considered all of the factors described above for each executive as well as an examination of the market data.

Base Salary Decisions for Fiscal 2012

In July 2011, the Compensation Committee approved merit increases for Fiscal 2012 for the following NEOs: Mr. Cardoso: 4.0%, Mr. Simpkins: 4.4%, and Mr. Tucker: 6.5%. Mr. Wehl and Mr. Jacko did not receive merit increases for Fiscal 2012.

Base Salary Decisions for Fiscal 2013

In July 2012, the Compensation Committee reviewed base salary levels, the applicable market data and the individual factors noted above and approved merit increases for Fiscal 2013 for each of our NEOs as follows: Mr. Cardoso: 4.2%, Mr. Simpkins: 4.3%, Mr. Tucker: 3.1%, Mr. Wehl 2.0%, and Mr. Jacko: 2.9%.

Annual Incentives

Overview of Management Performance Bonus Plan (Prime Bonus Plan). The Management Performance Bonus Plan, which we refer to as the Prime Bonus Plan, is a shareowner-approved, formula-based, pay-for-performance annual cash incentive plan. The Prime Bonus Plan is the main vehicle we use to reward participants for their contributions to strong annual business performance. The purpose of the Prime Bonus Plan is to motivate participants to help the Company to achieve shorter-term financial and strategic goals, which are designed to create sustainable shareowner value, and to reward them to the extent we achieve those goals. All of our executives, our senior management team members, and certain of our key employees participate in the Prime Bonus Plan.

Target Bonus Amounts. Individual target Prime Bonus Plan amounts are based on a combination of individual factors and market-competitive data and are established as a percentage of base salary. Consistent with our executive compensation philosophy, individuals with greater job responsibilities have a greater proportion of their total cash compensation tied to Company performance through the Prime Bonus Plan. Each year, the Compensation Committee sets target Prime Bonus Plan amounts for our CEO and other executives based on recommendations from our management and the CEO (except with respect to his own target bonus) and its own evaluation of the competitiveness of each executive's compensation package based on input from its compensation consultant.

Performance Goals. We link Prime Bonus opportunities directly with Company performance, business unit performance and the maximization of shareowner value. Each executive is assigned performance goals at the beginning of the fiscal year based upon the performance goals of the Company that are approved by the Board. The Board approves the goals for overall Company performance based upon management's financial and strategic plans.

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Once the Board has approved the performance goals for the Company, the Compensation Committee reviews and approves the bonus structure and individual goals for the CEO and all other executive officers. To ensure alignment with our shareholders' interests, the Compensation Committee assigns the CEO both quantitative and qualitative goals that are aggressive, designed to stretch performance, and will significantly impact the growth or improvement of a business unit or our Company. For each of the other executives, the Compensation Committee, with the input of the CEO, sets performance objectives that it considers achievable but that require personal performance and stewardship appreciably above the plan levels for the coming year. These performance goals vary by executive, are weighted and based on performance of the individual, the Company and the particular business unit or function for which the executive has responsibility.

Modifier. At the outset of each fiscal year, the Compensation Committee may or may not select a key initiative to use as a modifier in the calculation of Prime Bonus amounts for that year. The calculated Prime Bonus amounts are then adjusted (upward or downward by +/-10%) based upon the level of performance with respect to that key initiative. For the Fiscal 2012 Prime Bonus Plan awards, the Compensation Committee selected a modifier based on the Company's safety performance against a recordable incident rate reduction plan, which it considers to be a key measure of employee safety.

Individual Performance. At its July meeting each year, the Compensation Committee reviews each executive officer's achievement of his/her performance goals for the previous year and approves any corresponding amounts to be paid under the Prime Bonus Plan. In connection with Prime Bonus determinations, the Compensation Committee considers the individual performance of the executive and the recommendations of the CEO (for all other executives). The Compensation Committee has the discretion to adjust downward the calculated Prime Bonuses for our executives in the course of its review.

Fiscal 2012 Prime Bonuses

Changes to 2012 Prime Bonus Plan.

The general design of the Prime Bonus Plan for Fiscal 2012 remained unchanged from Fiscal 2011. The 2012 Prime Bonus Plan funded at target with the accrual being adjusted accordingly throughout the year. The payout curve remained the same for participants in Fiscal 2012 as it did in Fiscal 2011 with some slight modifications to the curve attributed to the newly added On-Time Performance measure, a new measure for Fiscal 2012 which tracks the frequency with which the company delivers its products to its customers on time. Corporate performance goals were based on four measures, which the Compensation Committee believed would appropriately focus participants on key areas of strategic corporate objectives: (i) Sales Growth (30% weight), (ii) EPS (40% weight), (iii) Adjusted ROIC (20% weight), and (iv) On Time Performance (5% weight for Made To Stock products and 5% weight for Made To Order products). The percentage allocations described in the preceding sentence were adjusted by our Compensation Committee for certain of the NEOs (as described below) to best align with their particular responsibilities. Individual goals for the 2012 awards related to corporate performance for all participants, but for Mr. Wehl it also included an EBIT goal related to our ISCL business unit.

2012 Target Bonus Amounts. For 2012, the Compensation Committee approved target bonus amounts for our NEOs at the same levels as those established for 2011 as follows (except for Mr. Cardoso, whose award was previously allocated as follows: 90% based on the Company's overall financial goals and 30% based on his achievement of specified strategic goals and initiatives):

Name	Target Bonus Amount as a Percentage of Base Salary
Carlos M. Cardoso	120%; (100% based upon the Company's overall financial goals, as provided under Mr. Cardoso's amended employment agreement, and 20% based upon Mr. Cardoso's achievement of specified strategic goals and initiatives)
Frank P. Simpkins	75%
Philip H. Wehl	70%
John R. Tucker	75%
John H. Jacko, Jr.	55%

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The following tables present the possible payouts under the Prime Bonus Plan at different levels of performance relative to the target performance goals established for the year (subject to further adjustment by the modifier (described below)):

Financial Metrics (including Company and ISCL)

	Below Threshold	Threshold	Target	Maximum
Performance (As a Percentage of Achievement of Performance Goal)	Less than 80%	80%	100%	120% or Greater
Payout (As Percentage of Target Bonus Amount)	0%	50%	100%	200%

On-Time Performance (Made to Order) Metric

	Below Threshold	Threshold	Target	Maximum
Performance (As a Percentage of Achievement of Performance Goal)	Less than 89%	89%	100%	106% or Greater
Payout (As Percentage of Target Bonus Amount)	0%	50%	100%	200%

On-Time Performance (Made to Stock) Metric

	Below Threshold	Threshold	Target	Maximum
Performance (As a Percentage of Achievement of Performance Goal)	Less than 89%	89%	100%	101.6% or Greater
Payout (As Percentage of Target Bonus Amount)	0%	50%	100%	200%

With respect to each financial performance goal, no bonus is awarded if actual performance is less than the threshold for the performance goal and no payout is made in excess of 200% of the target bonus amount, regardless of the performance achieved. Under the terms of the Prime Bonus Plan, the Compensation Committee makes the same adjustments for non-recurring or unusual items in determining whether performance goals have been met as we make to our financial results as reported to our shareholders.

2012 Company Performance Goals. At its July 2011 meeting, the Board established corporate performance goals for the Company consisting of: Sales Growth (\$254.5 million), EPS (\$3.70), Adjusted ROIC, a non-GAAP financial measure, (15%), On-Time Performance (Made To Stock products) (97%), and On-Time Performance (Made To Order products) (90%). At the time it set these goals, the Board considered the targets to be challenging for the Company, but achievable if the financial and strategic plans of the Company were well executed. The Compensation Committee's independent consultant further tests the appropriateness of these goals by considering the general economic environment for the upcoming year, reviewing growth in the goals over the previous year and conducting probability analyses based on historical results. The consultant found the goals to be challenging. These goals were then used by the Compensation Committee when it reviewed and approved performance measures and target goals for each of our executives.

Adjusted ROIC is a non-GAAP financial measure and is defined by the Company as the previous 12 months' net income, adjusted for interest expense, noncontrolling interest expense and special items, divided by the sum of the previous five quarters' average balances of debt and total equity. The most directly comparable GAAP measure is return on invested capital calculated utilizing GAAP net income.

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2012 Performance Goals for the NEOs

Carlos M. Cardoso Chairman of the Board, President and CEO

Performance goals for Mr. Cardoso were based on the financial and strategic plans for the Company. Mr. Cardoso's 2012 Prime Bonus opportunity was composed of two components:

Component (1) related to the Company's performance and was based solely upon the achievement of the corporate performance goals (bonus opportunity of 100% of base salary) described above (provided however that On-Time Performance with respect to Made to Stock products is included as an individual strategic performance goal as described below); and

Component (2) related to Mr. Cardoso's individual strategic performance and was based upon his achievement of certain strategic and operational goals and initiatives set by the Compensation Committee in July 2011 (bonus opportunity of 20% base salary), including customer service (On-Time Performance with respect to Made to Stock products) (15% weight), technology development and positioning (20% weight), global expansion and growth in emerging markets (15% weight), global talent development and succession planning for critical positions (20% weight), Environmental, Health and Safety (EHS) initiatives (15% weight) and stewardship of certain employee initiatives (15% weight).

The achievement of certain of Mr. Cardoso's individual performance goals were to be rewarded proportionally for performance between 80% and 100% of the target goals while certain other performance goals are rewarded only if target is achieved. At the time they were put in place, the Compensation Committee considered these performance objectives strategically important and aggressive, but achievable with concentrated effort and focus by Mr. Cardoso.

Frank P. Simpkins Vice President and CFO

John R. Tucker Vice President & President Business Groups; and

John H. Jacko, Jr. Vice President & Chief Marketing Officer

Messrs. Simpkins, Tucker and Jacko were not assigned to one particular business unit in 2012, which means that their Prime Bonus opportunity was based fully on performance results at the corporate level (100% of Prime Bonus opportunity). Performance goals were set for these executives based on the corporate performance goals described above, except that Mr. Tucker's weightings with respect to EPS and Adjusted ROIC were as follows: EPS (45%) and Adjusted ROIC (15%); and Mr. Simpkins's weighting with respect to Sales Growth and the total of the two On-Time Performance objectives were as follows: Sales Growth (35%) and On-Time Performance (5%). At the time they were put in place, the Compensation Committee considered these performance objectives strategically important and aggressive, but achievable with concentrated effort and focus by the executive.

Philip H. Weihl Vice President, Integrated Supply Chain and Logistics

Mr. Weihl's 2012 Prime Bonus opportunity was 40% on the Kennametal metrics described above and 60% on EBIT results specifically for ISCL and additional weighting on Kennametal On-Time Performance results. At its July 2011 meeting, the Board established an EBIT performance goal for our ISCL business unit of a negative \$82.29 million. At the time they were put in place, the Compensation Committee considered these performance objectives strategically important and aggressive, but achievable with concentrated effort and focus by Mr. Weihl.

EBIT is an acronym for Earnings Before Interest and Taxes and is a non-GAAP financial measure. The most directly comparable GAAP measure is net income. EBIT is calculated as net income plus interest and taxes. Kennametal adjusted EBIT for 2012 for minority interest expense, interest income and special items.

2012 Performance

Prime Bonuses for 2012. As calculated to include the Safety modifier, which provided a 9% upward adjustment to the award payout, based upon the Company achieving a greater reduction of recordable incidents than targeted in the recordable incident rate reduction plan, the Prime Bonus Plan paid out at 124.5% of target for 2012 for Component (1) of Mr. Cardoso's Prime Bonus opportunity. The Prime Bonus Plan paid out

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at 45% of target for Component (2) of Mr. Cardoso's Prime Bonus opportunity. The Prime Bonus plan paid out at 127.7%

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for Mr. Simpkins, 124.6% for Mr. Tucker, and 125.7% for Mr. Jacko. These levels of payouts were earned because actual performance for 2012 with respect to each of the performance measures (except for On-Time Performance and Sales Growth) exceeded the target performance goals set for the period. The Company exceeded performance thresholds, but was below target performance goals for On-Time Performance and Sales Growth (see *Highlights of Kennametal's Fiscal 2012 Performance and Links to our Performance-Based Awards* section of this CD&A for a discussion of the Company's actual performance with respect to these performance goals). The actual Prime Bonus paid to Mr. Weihl was 73.5% of target due to his performance goals being based 40% on Kennametal metrics described above and 60% on EBIT results specifically for ISCL and additional weighting on Kennametal On-Time Performance results (referred to below as "OTP" results (for which targets were not achieved)). Actual ISCL EBIT results were determined by the Board to be a negative \$124.6 million for Fiscal 2012. The following tables show the performance achieved and the amount of Prime Bonus compensation received in 2012 for each of our NEOs.

Carlos M. Cardoso

Component 1:

Corporate Performance Goals % Achieved					Prime Bonus Earned (\$)
Sales Growth	EPS	ROIC	OTP (Made To Order products)		
99.4	105.1	109.2	88.9		1,164,852

Component 2:

Individual Strategic Performance Goals % Achieved							Prime Bonus Earned (\$)
Customer Service (OTP) (Made To Stock products)	Technology	Global Expansion	Talent Development	EH&S	Employee Initiatives		
0	102.5	0	237	0	110.9	84,240	

Named Executives other than Carlos M. Cardoso and Philip H. Weihl

Named Executive Officer	Corporate Performance Goals % Achieved			OTP (Made To Stock products)	OTP (Made To Order products)	Prime Bonus Earned (\$)
	Sales Growth	EPS	ROIC			
Frank P. Simpkins	99.4	105.1	109.2	93.8	88.9	450,213
John R. Tucker	99.4	105.1	109.2	93.8	88.9	397,937
John H. Jacko, Jr.	99.4	105.1	109.2	93.8	88.9	259,236

Philip H. Weihl

Named Executive Officer	Corporate Performance Goals % Achieved			ISCL Business Unit Performance Goals % Achieved		Prime Bonus Earned (\$)
	Sales Growth	EPS	ROIC	OTP (Made To Stock products)	OTP (Made To Order products) EBIT	
Philip H. Weihl	99.4	105.1	109.2	93.8	88.9 48.6	180,173

Changes for 2013 Prime Bonus Plan. The Compensation Committee determined that the payout curve and target opportunities will remain the same for participants in the Prime Bonus Plan for 2013. Corporate performance goals will continue to include Sales Growth (30% weight), EPS (40% weight), On-Time Performance Made To Order (5% weight) and On-Time Performance Made To Stock (5% weight). Free Operating Cash Flow (20% weight) will replace ROIC. The Committee believes the use of Free Operating Cash Flow will continue to promote the efficient use

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of capital, similar to ROIC, but also strengthen the focus on working capital and inventory management, which are both important strategic objectives for Fiscal 2013. Additionally, the Company's safety performance against a recordable incident rate reduction plan will continue to serve as a modifier capable of influencing the final award size by +/- 10% for 2013.

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Long-Term Incentives

Overview of Long-Term Incentive Programs. Kennametal's long-term incentives are designed to focus our employees on sustainable, long-term performance. We use these incentives because we believe they promote an ownership culture, align the interests of our employees and shareowners, and foster the long-term perspective necessary to increase shareowner value. They also aid in retention and help advance stock ownership by our employees.

All of our executives, members of senior management, and a significant number of key employees are eligible to receive long-term incentive awards under our broad-based LTI program. We use a portfolio approach to our LTI program, which includes stock options, restricted unit awards and performance unit awards. We provide more information about each of these components below.

The Compensation Committee approves all equity and other long-term incentive awards for our executives. All of our NEOs' outstanding long-term incentive awards, including those under the LTI have been granted under either the *Kennametal Inc. Stock and Incentive Plan of 2002, as amended* (the 2002 Plan) or the *Kennametal Inc. Stock and Incentive Plan of 2010* (the 2010 Plan). We have not granted any awards under the 2002 Plan since our 2010 annual meeting, when shareowners approved the 2010 Plan, and will not grant any future awards under this plan. The 2002 Plan provided and the 2010 Plan provide for the granting of nonstatutory and incentive stock options, restricted stock awards, stock unit awards, and other types of incentive awards.

Target Long-Term Incentive Award Amounts. Each year the Compensation Committee establishes target LTI opportunities for each of our executives based on peer group proxy data and survey data provided by its compensation consultant. LTI opportunities are determined on an individual basis based on the executive's performance and career potential (individual factors). The Compensation Committee also takes into account what our peers are providing in terms of long-term compensation for similarly-situated executives (external factors). The Compensation Committee sets target LTI opportunities for our executives for the relevant 3-year cycle at its meeting in July of the each year.

Fiscal 2012 LTI Decisions

The following table shows the target level LTI opportunities set for each of our NEOs under our LTI program for Fiscal 2012:

Name	Long-Term Incentive Opportunity
Carlos M. Cardoso	\$3,850,000
Frank P. Simpkins	\$800,000
Philip H. Weihl	\$500,000
John R. Tucker	\$500,000
John H. Jacko, Jr.	\$425,000

Mr. Cardoso's LTI opportunity was increased from \$3,600,000 in Fiscal 2011 to \$3,850,000 in Fiscal 2012 based on market conditions, business conditions, and individual performance at the time the decision was made.

Timing of Equity Grants. The Compensation Committee grants equity-based awards to our executives on both an annual and an as-desired basis. We do not have any program, plan or practice to time annual or ad hoc grants of equity-based awards in coordination with the release of material non-public information or otherwise.

Annual Grants. We generally make LTI grants to our NEOs and other senior management on a once-a-year basis. As part of its standing agenda, the Compensation Committee makes annual grants of equity-based awards to our executives at its regularly scheduled meeting in July of each year. The dates for these meetings are typically scheduled two years in advance. Since 2007, the grant date for annual awards has been August 1 of each year.

Special or One-Time Grants. The Compensation Committee retains the discretion to make additional awards to executives at other times in connection with the initial hiring of a new officer, for recognition or retention purposes or otherwise.

Stock Option Awards. We use stock option awards to align the interests of our employees with those of our shareowners and focus our employees on delivering superior total shareowner return over the long term (10 years).

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Under the 2002 Plan and the 2010 Plan, the exercise price for a stock option award may not be less than the fair market value of our shares at the time the option is granted. Fair market value is determined by taking the closing share price as quoted on the New York Stock Exchange Composite Transactions reporting system for the grant date. Stock option grantees can only profit from stock option awards if our stock price increases over time; conversely, grantees receive no value if our stock price decreases. We typically grant stock option awards to our executives annually as part of our broader LTI program, but occasionally we grant special stock option awards, either alone or in connection with other awards, to employees for attraction, retention or recognition purposes. Vesting schedules for our stock option awards vary according to the purpose for which they are granted. Awards granted under the LTI typically time vest at the rate of one-fourth per year over four years. A stock option award granted for attraction purposes, upon hiring, or for special recognition purposes may have a different vesting schedule (for example, 50% may vest on the second anniversary of the grant date, and 25% each year thereafter). In every case, the stock option awards help further our retention objective as any unvested portion is forfeited if an executive voluntarily terminates employment. Stock option awards expire ten years from the date of grant, which we believe helps to promote the long-term perspective that is key to our growth and success. Both the 2002 Plan and the 2010 Plan prohibit the repricing of stock options and do not contain a full reload feature.

The number of shares underlying the stock options awarded to each NEO in Fiscal 2012 was determined by dividing 30% of the total LTI opportunity value by the fair market value of the option on the grant date (essentially using the assumptions disclosed in the notes to our consolidated financial statements for our 2012 Form 10-K, but considering the full term of the option (10 years)).

Restricted Unit Awards. Prior to 2010, we granted restricted stock awards as part of our LTI program, but we have transitioned to grants of restricted unit awards for ease of administration and compliance purposes. We grant restricted unit awards because we believe they build ownership in the Company, serve to promote the retention of our employees and address the cyclicity of our business, thereby aligning the interests of our employees and our shareowners. As is the case with stock option awards, we typically grant restricted unit awards annually to our executives as part of our broader LTI program, but we sometimes make these grants for other purposes. For example, we may grant these awards to attract new talent or to recognize or motivate our employees. Like stock option awards, restricted unit awards granted under the LTI typically vest at the rate of one-fourth per year over four years. Also similar to our stock option awards, the vesting schedules may differ depending on the reasons for the grant of restricted units. We believe restricted unit awards help promote our retention efforts in that any unvested portion of a restricted unit award is forfeited if an executive voluntarily terminates employment.

The number of restricted units awarded to each NEO in Fiscal 2012 was determined by dividing 20% of the total LTI opportunity value by the fair market value of our stock on the grant date.

Performance Unit Awards. For certain of our executives, including our NEOs, the Compensation Committee approved an annual grant of performance units for Fiscal 2011 (the 2011 PUA) and Fiscal 2012 (the 2012 PUA). These awards are performance-based and can only be earned by achieving a certain EBIT margin level established by the Compensation Committee. The Compensation Committee has established specific EBIT margin goals for the fiscal years 2011, 2012 and 2013 for the 2011 PUA; and fiscal years 2012, 2013 and 2014 for the 2012 PUA. The terms of the 2011 PUA and 2012 PUA each provide that one-third of the performance units underlying such award may be earned each year based on the Company's performance with respect to the EBIT margin goals for that year. Goals have been established at threshold, target and maximum award levels for each year within the applicable performance period. Performance units that are deemed earned for any given fiscal year remain subject to an additional service condition that requires the executive to be employed by us through the payment date following the 3-year performance period (which for the 2011 PUAs means August 2013 and for the 2012 PUAs means August 2014). The table below presents the EBIT margin goals for Fiscal 2012 (which was the second year of the 2011 PUAs and the first year of the 2012 PUAs):

EBIT Margin Performance Level 2011 PUA payable August 2013

Maximum	15.18%
Target	13.80%
Threshold	11.04%

Table of Contents**EBIT Margin Performance Level 2012 PUA payable August 2014**

Maximum	17.93%
Target	16.30%
Threshold	13.04%

The following table presents the possible payouts for both the Year 2 of the 2011 PUAs and Year 1 of the 2012 PUAs at different levels of performance:

	Below Threshold	Threshold	Target	Maximum
Performance (As a Percentage of Achievement of Target Performance Goal)	Less than 80%	80%	100%	110% or Greater
Payout (As Percentage of Target Bonus Amount)	0%	50%	100%	200%

Performance goals at the threshold level have been established for each year of the applicable performance period underlying the particular award to reflect 80% of the target goal while performance goals at the maximum level have been established for each such year to reflect 110% of the target goal. Performance units earned for achieving the threshold goal will equal 50% of the target shares for the given year while performance units earned for achieving the maximum goal will equal 200% of the target shares designated by the Compensation Committee for the given year. Performance units earned for achievement of the target goal will equal 100% of the target share for the year.

Performance Units Earned for Fiscal 2012. At its meeting in July of 2012, the Compensation Committee determined that EBIT Margin for Fiscal 2012 was 15.9%. Based on this result, the Compensation Committee determined that the performance units for Year 2 of the 2011 PUA would pay out at 200% of the target share amount (as a result of EBIT Margin for Fiscal 2012 exceeding the maximum performance level set for that year) and that the performance units for Year 1 of the 2012 PUA would pay out at 93.9% of the target share amount (as a result of EBIT Margin for Fiscal 2012 falling between the threshold and target performance levels set for that year). As explained above, these performance units will continue to be subject to a service condition that requires the executive to be employed by us through the payment date following the 3-year performance period underlying the applicable award. The table below sets forth the number of performance units deemed by the Compensation Committee to have been earned by each of the NEOs for Fiscal 2012 under the 2011 PUA and the 2012 PUA.

Name	Performance Units Earned for the 2012 Performance Period	
	FY2011 PUA (Year 2)	FY2012 PUA (Year 1)
Carlos M. Cardoso	44,624	15,469
Frank P. Simpkins	9,916	3,214
Philip H. Wehl	6,196	2,009
John R. Tucker	4,028	2,009
John H. Jacko, Jr.	4,028	1,707

Changes for 2013 LTI Program. At its meeting in July of 2012, the Compensation Committee determined that the performance goals underlying the performance units to be granted in Fiscal 2013 would be based on ROIC results (50% weight) and EPS results (50% weight) as opposed to EBIT Margin. The Committee believes it has succeeded in incenting management to improve EBIT Margin which was at 7.9% at the end of Fiscal 2010 when the plan was implemented and has now grown to 15.9% for Fiscal 2012. The Committee believes the use of ROIC will strengthen the line of sight attributable to working capital and inventory management, which are both important strategic objectives for Fiscal 2013. Additionally, the Committee believes that improvement in Company profits, as defined by EPS, is an important objective and should lead to greater levels of shareholder value.

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The following table shows the target level LTI opportunities set for each of our NEOs under our LTI program for 2013 (which are the same as the LTI opportunities established for 2012):

Name	Long-Term Incentive Opportunity
Carlos M. Cardoso	\$ 3,850,000
Frank P. Simpkins	\$ 800,000
Philip H. Wehl	\$ 500,000
John R. Tucker	\$ 500,000
John H. Jacko, Jr.	\$ 425,000

Strategic Transformational Equity (STEP) Program. In 2008, the Compensation Committee approved a special, long-term program under the 2002 Plan called the 2008 Strategic Transformational Equity Program (the "STEP"). The STEP was designed to propel the Company to superior levels of performance that, if achieved, would have provided an opportunity for premium compensation to participants and a significant return to our shareowners. The STEP had a retention component as well, which provided that the awards would be forfeited if a participant terminated his employment with the Company during the four-year period that began October 1, 2007 and ended September 30, 2011 (the "STEP Performance Period"). Each STEP participant was awarded a certain number of stock units under the STEP (the "Units"); the Units were granted at the maximum level. In general, Units could be earned if certain performance conditions were met at certain measurement dates during the Performance Period.

Performance Conditions. The STEP awards were broken down into two components with thirty five percent (35%) of the total number of Units which a participant could earn based on our total shareowner return at the measurement dates and sixty five percent (65%) of the total number of Units which a participant could earn based on our cumulative adjusted earnings per share on the same measurement dates (these conditions are referred to in this discussion as the "STEP Performance Conditions"). The STEP Performance Conditions were designed to require exceptional financial performance during the STEP Performance Period.

No Payout under the STEP. During Fiscal 2012, following the conclusion of the STEP Performance Period, the Compensation Committee determined that the STEP Performance Conditions had not been met (as previously anticipated) and that, therefore, there would be no payout under the STEP.

Special Recognition, Attraction and Retention Awards

On a limited and selective basis, we sometimes pay additional compensation to our employees in the form of special recognition, attraction or retention awards. For example, we may provide a special award to an individual to reimburse him/her for compensation he/she would forfeit by terminating previous employment, or to recognize contributions to a critical strategic initiative.

Employees at all levels of the Company are eligible to receive special awards. We may provide awards in the form of cash bonuses, equity, or a combination of cash and equity, in each case depending on the reason for the bonus. The amount of any special recognition or retention award depends on the reason it is being granted. The Compensation Committee must approve any special awards for our executives. There were no awards of this nature made to any NEO during Fiscal 2012.

Retirement Plans

We maintain both qualified and non-qualified defined benefit retirement plans that are designed to work together to provide retirement pay to our executives. We provide pension and retirement benefits as part of our broader executive compensation program to attract and retain our executives.

Qualified Plans. We maintain two principal qualified retirement plans for substantially all U.S. employees, including our executive officers. The Retirement Income Plan ("RIP") is a defined benefit pension plan. As of December 31, 2003, the RIP was frozen for non-grandfathered participants and is no longer offered to new employees. None of our NEOs were grandfathered under the RIP. The Thrift Plus Plan ("TPP") is a defined contribution or 401(k) plan in which all of our executives participate.

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Non-Qualified Plan. All of our NEOs participate in our Executive Retirement Plan (ERP), a non-qualified retirement plan which provides for a lump sum payment of benefits to a participant upon termination (but only to the extent the executive has vested under the plan).

The amount payable under each retirement plan for each NEO is determined by the plan's benefit formula. The amount of benefits varies based upon the plan, the executive's years of service with us, and the executive's compensation.

Executive Benefits and Perquisites

In Fiscal 2012, we continued our practice of providing an annual fixed perquisite allowance of \$20,000 (paid in two installments in June and December of each year) to each executive officer in lieu of individual perquisites. To promote our emphasis on the health, safety and wellness of our employees, we continue to provide for officer life insurance and an annual executive physical in addition to the perquisite allowance. The perquisite allowance may be used by the executive in his or her discretion for financial planning fees, business or country club memberships, or any other appropriate perquisite, and is not grossed up for tax purposes.

The perquisite allowance and other personal benefits paid to our NEOs (life insurance and executive physicals) for 2012 are listed in a supplemental table in the footnotes to the 2012 Summary Compensation Table. Other than the perquisite allowance and other personal benefits included therein, our executives have the same benefits that are generally provided to other salaried employees, including eligibility to participate in group medical and dental plans, vision, long- and short-term disability, group life insurance, accidental death and dismemberment insurance, business travel accident insurance, health care and dependent care spending accounts, qualified retirement plans, and other benefits, in accordance with the terms of the programs.

Stock Ownership Guidelines and Insider Trading Policy

We have adopted Stock Ownership Guidelines for directors, executives and key managers to effectively link the interests of management and our shareowners and to promote an ownership culture throughout our organization. We believe that stock should be acquired and held in quantities that encourage management to make decisions and take actions that will enhance Company performance and increase its value. These guidelines were first adopted in 1995 and are reviewed annually by the Compensation Committee at its October meeting as a standing agenda item. Employees have five years from the date they become subject to the guidelines to acquire the requisite holdings. The current guidelines are:

	FY12 Multiple of Base Salary
Chief Executive Officer	5X
Vice Presidents serving as Group Presidents and CFO	3X
Executive Management Council, Corporate Officers and certain Business Unit Managers	2X
Other Key Managers	1X
Shares owned outright, restricted stock and restricted units, deferred stock credits, and shares owned in benefit plans (such as a 401(k)) count toward fulfilling the ownership guidelines.	

We have an insider trading policy that prohibits executives from engaging in any transaction in our stock unless that transaction has been pre-cleared and approved. Although we generally do not mandate when executives may trade, our policy strongly encourages them to trade only during established window periods, which open 2 days after our quarterly earnings release and remain open for one month thereafter.

Employment Agreements

We have employment agreements with all of our executive officers. We have summarized the material terms of these agreements below. Mr. Cardoso's agreement contains some modified provisions, which are identified where applicable in the summary.

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General. The agreements require our executives to devote their entire time and attention to the business and affairs of Kennametal while they are employed.

Term. There is no predetermined term. Each executive entered into the agreement upon commencing duties as an executive officer of our Company.

Compensation. Except as noted below, the executive officer's base salary, size of bonus award, if any, and any other compensation for services are not specified under the agreements but rather are determined by the Compensation Committee upon the commencement of employment and assignment of the executive to a salary band. Thereafter, the Compensation Committee makes determinations regarding base salary, incentive awards, and all other components of compensation as described in this CD&A.

Mr. Cardoso's agreement was amended July 2011 to, among other things, set his primary Prime Bonus target level for Fiscal 2012 at 100% of his base salary. (Mr. Cardoso's current incentive opportunities are discussed elsewhere in this CD&A and in the executive compensation tables that follow.)

Non-competition/non-disclosure. Unless we provide prior consent in writing, if an executive voluntarily terminates his employment or we terminate his or her employment for cause, then for three years after the date of termination, the executive officer cannot, in any geographic area in which Kennametal is offering its services and products: (a) directly or indirectly engage in, or (b) assist or have an active interest in, or (c) enter the employ of, or act as agent for, or advisor or consultant to, any entity which is or is about to become directly or indirectly engaged in any business that is competitive with any business of the Company or any of our subsidiaries or affiliates in which the executive is or was engaged. The non-competition provisions do not apply if we terminate an executive without cause. However, in case of termination for any reason, the executive officer cannot disclose any of our confidential or trade secret information.

Assignment of Inventions. Each executive officer must assign to us all inventions conceived or made during his or her employment with Kennametal.

Termination. The executive officer's employment may be terminated by either party at any time, for any reason or no reason at all; provided, that the Company may only terminate an executive officer's employment with the approval and authorization of the Board.

Severance. If, with Board authorization, we involuntarily terminate an executive officer's employment (other than Mr. Cardoso's) prior to a change in control and not for cause, the executive is entitled to 12 months of severance in the form of salary continuation. Our executive officers are not entitled to severance under any other termination scenario outside of a change in control context.

If, with Board authorization, Mr. Cardoso's employment is terminated by us prior to a change in control and not for cause, Mr. Cardoso is entitled to up to 24 months of severance in the form of salary continuation. Severance amounts would be offset by any salary earned by Mr. Cardoso in the event he obtains other employment during that 24-month period.

Change in Control. Under certain circumstances, the agreements provide for payments to an executive officer if his employment is terminated after a change of control. See *Termination Conditions and Arrangements* below and the *Potential Payments Upon Termination or Change in Control* section of this proxy statement for a more detailed discussion.

Termination Conditions and Arrangements

In a non-change in control context, our employment agreement with our executives provides for severance if the executive's employment is terminated by us without cause. Additional details regarding the severance provisions and potential payments to our NEOs outside of a change in control context can be found in the *Potential Payments upon Termination or Change in Control* section.

Our executive employment agreement, stock and incentive plans and certain of our retirement and post-employment plans contain change in control provisions. The change in control provisions in the executive employment agreements are applicable only for those executives that have entered into these agreements, which includes each of our NEOs. The provisions of our incentive plans and retirement plans are applicable to a broader

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base of our employees and include all those who participate in those plans. We include these provisions because we believe they help to align executive, Company, and shareowner interests. If we evaluate a possible transaction, we want our management to focus on the potential fit with our corporate goals and strategy and the creation of long-term value for our shareowners. We believe that change in control protections enable our management to consider corporate transactions objectively and to decide whether they are in the best interests of the Company and its shareowners without undue concern over whether the transactions may jeopardize future employment.

The change in control protections under the executive employment agreement only provide payments upon the occurrence of a double trigger. For severance benefits to be triggered, a change-in-control must take place and an executive must be involuntarily terminated by us (not for cause) or must leave for good reason or in connection with Disability (as defined in the executive employment agreements) within 36 months following the change-in-control. For additional information concerning the change in control arrangements for our NEOs, see the *Potential Payments upon Termination or Change in Control* section of this proxy statement.

Elimination of partial excise tax gross-up in new agreements. For executives joining the Company prior to May 2011, their employment agreements provide for a payment adjustment if, due to excise taxes imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the Code), the executive's net after-tax benefits are less than intended under the cash severance component described above. Executive officer employment agreements entered into after May 2011 do not provide for any partial excise tax gross-up provisions.

Recoupment of Awards and Incentive Payments

In any case where there has been an allegation of fraud or misconduct, the Board of Directors would investigate and carefully review the facts and circumstances of the alleged misconduct before determining the appropriate course of action. If, after completing its investigation, the Board were to determine that an employee or officer did engage in fraudulent behavior or misconduct, the Board would take appropriate action, which could include, among other things, termination of employment, institution of legal proceedings against the wrongdoer, or bringing the misconduct to the attention of the proper authorities. If the misconduct results in a material restatement of the Company's financial results, then the Board, in addition to the above remedies, may also seek repayment of any bonus received for the period restated, seek repayment of gains realized as a result of exercising stock options awarded for the period restated, or cancel any outstanding stock options or other equity or incentive compensation.

The Company also incorporates restrictive covenants (prohibiting working for competitors for a period following separation from employment and disclosure of confidential or proprietary information) into the executive employment agreements, the SERP, and the ERP. If the Board of Directors determines that a violation of any one of these covenants has occurred, it may, in its discretion, discontinue any future payments and/or take appropriate legal action to recoup amounts paid under these programs.

Tax, Accounting, and Regulatory Considerations

We consider the effect of tax, accounting and other regulatory requirements in designing and implementing compensation programs, and while these factors may impact plan designs, ultimately decisions reflect the pay strategy of the Company and the program intent.

Section 162(m) of the Code imposes a \$1 million limit on the amount that a public company may deduct for compensation paid to the company's chief executive officer or any of the company's three other most highly compensated executive officers who are employed as of the end of the year. This limitation does not apply to compensation that meets the requirements under Section 162(m) for qualifying performance-based compensation (i.e., compensation paid only if the individual's performance meets pre-established objective goals based on performance criteria approved by shareowners). For 2012, the payout of annual bonuses under the Prime Bonus Plan and LTI awards, if any, were intended to satisfy the requirements for deductible compensation.

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Tools and Analytics

The Compensation Committee utilizes various tools and analytics provided by both Pay Governance and our internal management and human resources personnel to execute its duties. These tools and analyses provide internal and external context and perspective to assist the Compensation Committee with its decision making process. The Compensation Committee reviews and considers the following information, as appropriate, when making compensation decisions:

Total compensation tally sheets and pay histories for the CEO and executive officers

CEO and executive officer competitive assessments for all elements of pay

Realizable pay-for-performance and value sharing assessments versus our peer group

Dilution and share utilization assessments, projections and comparisons

Equity expense comparisons versus our peer group

Incentive design and vehicle prevalence analyses

Internal goal setting and achievement analyses

Compensation policy and practices risk assessment

Executive retention analyses

Annual and long-term incentive plan performance and progress updates

Executive perquisite prevalence analyses

Other ad hoc analyses performed at the Compensation Committee's direction

The information above is reviewed either annually or by special request of the Compensation Committee.

Compensation for Non-Employee Directors

The Nominating/Corporate Governance Committee has responsibility for the review and oversight of non-employee director compensation. The role of the Nominating/Corporate Governance Committee in this context is explained in further detail in the *Ethics and Corporate Governance* section of this proxy statement. The compensation of non-employee directors in 2012 is described more fully in the *Board of Directors Compensation and Benefits* section of this proxy statement.

Compensation Committee Report

The Compensation Committee (we or the committee) recommends an overall compensation policy to the Board, has direct responsibility for matters relating to compensation of the executive officers, advises the Board regarding management succession, and administers the Company s equity compensation plans and deferred compensation plans. Management has the primary responsibility for the Company s financial statements and reporting process, including the disclosure of executive compensation. With this in mind, we have reviewed and discussed with management the Compensation Discussion and Analysis section of this proxy statement. Based on that review, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement for filing with the Securities and Exchange Commission.

Compensation Committee

William R. Newlin, Chair

Ronald M. DeFeo

Philip A. Dur

William J. Harvey

Lawrence W. Stranghoener

Steven H. Wunning

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During 2012, the Compensation Committee directed our management to work with Pay Governance, its compensation consultant, to conduct a risk assessment of all of our compensation policies and practices to ensure that they do not foster risk taking above the level of risk associated with our business model. Based upon that review and a review by management of the Company's internal controls, the Compensation Committee has concluded that the Company's compensation programs do not encourage executives or other employees to take inappropriate risks that are reasonably likely to have a material adverse effect on the Company. The Compensation Committee based its conclusion on a variety of factors, including the following specific aspects of the Company's compensation practices:

Our annual incentive compensation program (the Prime Bonus Plan) is based on balanced performance metrics that promote disciplined progress towards longer-term Company goals;

We do not offer significant short-term incentives that might drive high-risk investments at the expense of long-term Company and shareowner value;

At the senior management and executive levels, our compensation programs are weighted towards offering long-term incentives that reward sustainable performance, especially when considering our share ownership guidelines and vesting requirements; and

All of our compensation awards are capped at reasonable and sustainable levels, as determined by a review of our economic position and prospects, as well as the compensation offered within our peer group and by comparable companies.

Executive Compensation Tables

The Executive Compensation Tables show the compensation paid to our CEO, our CFO and the three other most highly compensated executive officers for Fiscal 2012. These individuals are our NEOs for Fiscal 2012.

2012 Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)(3)	Change in Pension Value and Nonqualified Deferred Compensation	All Other Compensation (\$)(5)	Total (\$)
							Earnings (\$)(4)		
Carlos M. Cardoso Chairman, President and Chief Executive Officer	2012	933,000		2,694,989	1,231,676	1,249,092	591,436	42,696	6,658,649
	2011	896,667		2,519,996	1,105,028	2,511,188	563,104	49,921	7,645,904
	2010	784,750		2,440,015	668,649	1,215,773	580,437	31,271	5,720,895
Frank P. Simpkins Vice President and Chief Financial Officer	2012	468,333		560,023	255,933	450,213	232,112	43,952	2,010,566
	2011	449,000		559,984	245,564	917,254	199,298	52,022	2,423,122
	2010	399,675		1,360,006	243,148	463,000	302,128	31,354	2,799,311
Philip H. Wehl Vice President, Integrated Supply Chain & Logistics	2012	350,000		349,966	159,955	180,173	397,060	43,691	1,480,844
	2011	344,522		350,000	153,473	477,991	321,457	51,653	1,699,096
	2010	319,375		526,590	70,819	345,000	188,494	15,719	1,465,997
John R. Tucker Vice President and President, Business Groups	2012	423,833		349,966	159,955	397,937	314,061	46,886	1,692,637
	2011	370,876		227,489	99,764	600,000	231,171	61,970	1,591,270
	2010								
John H. Jacko, Jr.	2012	375,000		297,500	135,967	259,236	159,883	42,595	1,270,181

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Vice President and Chief Marketing Officer	2011 2010	355,792	227,489	99,764	609,331	147,983	49,857	1,490,216
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- (1) These amounts reflect the aggregate grant date fair value of stock awards granted in the fiscal years noted calculated in accordance with FASB ASC Topic 718 (excluding the effect of estimated forfeitures). Please refer to Note 17 to the financial statements in Kennametal's Annual Report on Form 10-K for 2012 for a discussion of additional assumptions used in calculating grant date fair value. The amounts included in this column for Fiscal 2012 include restricted unit awards and performance unit awards. The values included for such performance unit awards reflect the payout of such awards at target. If these awards were to be paid out at the maximum amount, the value of these awards for Messrs. Cardoso, Simpkins, Weihl, Tucker and Jacko would be \$3,849,794, \$800,033, \$499,962, \$499,962 and \$425,022, respectively. For information with respect to the individual restricted unit awards and performance unit awards made for Fiscal 2012, please see the 2012 Grants of Plan-Based Awards Table.
- (2) These amounts reflect the aggregate grant date fair value of option awards granted in the fiscal years noted calculated in accordance with FASB ASC Topic 718 (excluding the effect of estimated forfeitures). Please refer to Note 17 to the financial statements in Kennametal's Annual Report on Form 10-K for 2012 for a discussion of additional assumptions used in calculating grant date fair value.
- (3) These amounts are cash payments earned by the NEOs under the 2012 Prime Bonus Program, which is discussed in further detail in the CD&A section of this proxy statement. For Mr. Cardoso the dollar amount reported in this column for 2012 includes \$1,164,852 paid as part of Component (1) of his award (relating to the Company's performance goals) and \$84,240 paid as part of Component (2) of his award (relating to his individual strategic performance goals).
- (4) These amounts reflect the aggregate increase in the actuarial present value of the NEO's accumulated benefits under all pension plans established by us. The total expressed includes amounts that the NEO may not currently be entitled to receive because those amounts are not vested. Pension plans under which amounts may be included include the RIP and the ERP, as applicable to the individual. Please refer to the discussion following the 2012 Pension Benefits Table for a more detailed descriptions of the RIP and the ERP. We do not provide preferential or above-market earnings on deferred compensation.
- (5) The following table describes each component of the All Other Compensation column:

Name	Perq./	Contributions to		Total
	Other	Thrift	Life	
	Benefits	Plus Plan	Insurance	
	(a)	(b)	(c)	
Carlos M. Cardoso	20,000	21,400	1,296	42,696
Frank P. Simpkins	20,424	22,650	878	43,952
Philip H. Weihl	20,000	22,050	1,641	43,691
John R. Tucker	20,000	22,577	4,309	46,886
John H. Jacko, Jr.	20,000	21,077	1,518	42,595

- (a) This column includes the \$20,000 perquisite allowance provided by the Company to the NEOs, made up of the first \$10,000 installment paid in December 2011 and the second \$10,000 installment paid in June 2012. For Mr. Simpkins, the amount included in this column also includes an executive physical.

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- (b) This column includes our contributions on behalf of the NEO under the TPP. Please see the discussion included in the *Retirement Programs* section of the CD&A for more details about the TPP.

- (c) This column includes income imputed to the NEOs based upon premiums paid by us to secure and maintain a \$500,000 term life insurance policy for the NEO while such person remains an active employee of the Company.

Table of Contents**2012 Grants of Plan-Based Awards**

	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(3)			All Other Stock Awards: Number of Shares of Stock or Units(4) (#)	All Other Option Awards: Number of Exercise or Base Securities Underlying Options(5) Price of Awards (\$/Sh) (#)	Grant Date Fair Value of Stock and Option Awards(6)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)			
Carlos M. Cardoso		468,000	936,000	1,872,000						
		4,391(2)	187,200(2)	187,200(2)						
	8/1/2011								88,983	1,231,676
	8/1/2011						19,769			770,003
	8/1/2011				24,711	49,422	98,844			1,924,987
Frank P. Simpkins		176,250	352,500	705,000						
	8/1/2011								18,490	255,933
	8/1/2011						4,108			160,007
	8/1/2011				5,135	10,270	20,540			400,017
Philip H. Weihl		122,500	245,000	490,000						
	8/1/2011								11,556	159,955
	8/1/2011						2,567			99,985
	8/1/2011				3,209	6,418	12,836			249,981
John R. Tucker		159,750	319,500	639,000						
	8/1/2011								11,556	159,955
	8/1/2011						2,567			99,985
	8/1/2011				3,209	6,418	12,836			249,981
John H. Jacko, Jr.		103,125	206,250	412,500						
	8/1/2011								9,823	135,967
	8/1/2011						2,182			84,989
	8/1/2011				2,728	5,456	10,912			212,511

Notes and Supplemental Tables to the 2012 Grants of Plan-Based Awards Table

- (1) With the exception of the second component of the annual cash incentive award for Mr. Cardoso, which is described in Footnote 2 below, these columns reflect the awards granted in August 2011 under the Prime Bonus Plan, which is described more fully in the CD&A section of this proxy statement. The amounts presented in these columns reflect the amounts that could have been earned during 2012 based upon the level of achievement of the performance goals underlying such awards. Actual Prime Bonuses earned for 2012 are included in the Non-Equity Incentive Plan Compensation column of the 2012 Summary Compensation Table.
- (2) This row reflects the portion of Mr. Cardoso's annual cash incentive award granted under the Prime Bonus Plan, which is based on Mr. Cardoso's individual performance, including his achievement of certain strategic and operational goals (as described in the CD&A section of this proxy statement).
- (3)

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These columns reflect the performance unit awards granted in August 2011 under the 2010 Plan. The amounts presented in these columns reflect the number of shares of our capital stock which could be earned over the course of the applicable performance period based upon the level of achievement of the performance goals underlying such awards. A description of our performance units is set forth in *Executive Compensation Compensation Discussion and Analysis Long-Term Incentives Performance Unit Awards*.

- (4) This column reflects the number of restricted units awarded to the NEOs in August 2011 under the 2010 Plan. A description of our restricted units is set forth in *Executive Compensation Compensation Discussion and Analysis Long-Term Incentives Restricted Unit Awards*.

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(5) This column reflects the number of shares underlying the stock options awarded to the NEOs in August 2011 under the 2010 Plan. A description of the stock option awards is set forth in *Executive Compensation Compensation Discussion and Analysis Long-Term Incentives Stock Option Awards*.

(6) The amounts reported in this column represent the grant date fair value of each equity-based award as determined pursuant to FASB ASC Topic 718 (disregarding any estimates of forfeitures). Please refer to Note 17 to the financial statements included in Kennametal's Annual Report on Form 10-K for 2012 for a discussion of additional assumptions used in calculating grant date fair value. The values reported in this column for the performance unit awards granted in August 2011 were calculated at target.

All other material factors pertaining to the information in the 2012 Summary Compensation Table and the 2012 Grants of Plan Based Awards Table have been described elsewhere in this proxy statement.

Table of Contents**Outstanding Equity Awards at Fiscal Year End 2012**

Name	Option Awards(1)					Stock Awards(1)			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(2)	
	Grant Date	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock Not Vested (\$)(2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	
Carlos M. Cardoso	7/25/2005	29,532		25.30	7/25/2015					
	7/25/2005	32,000		25.30	7/25/2015					
	7/25/2006	88,000		27.06	7/25/2016					
	8/1/2007	50,770		38.99	8/1/2017					
	8/1/2008	50,202	16,735	29.60	8/1/2018					
	8/1/2009		46,090	21.48	8/1/2019					
	8/1/2010	30,100	90,301	26.89	8/1/2020					
	8/1/2011		88,983	38.95	8/1/2021					
						8/1/2008	3,717	123,219		
						8/1/2009	10,242	339,522		
						2/1/2010	78,834	2,613,347		
					8/1/2010(a)	20,082	665,718			
					8/1/2010(b)	89,250	2,958,638	44,628	1,479,418	
					8/1/2011(a)	19,769	655,342			
					8/1/2011(b)	15,469	512,797	32,948	1,092,226	
Totals		280,604	242,109			237,363	7,868,583	77,576	2,571,644	
Frank P. Simpkins	7/25/2005	3,898		25.30	7/25/2015					
	9/19/2005	4,800		24.19	9/19/2015					
	7/25/2006	4,500		27.06	7/25/2016					
	12/5/2006	19,600		30.66	12/5/2016					
	8/1/2007	18,462		38.99	8/1/2017					
	8/1/2008	18,255	6,086	29.60	8/1/2018					
	8/1/2009	16,760	16,760	21.48	8/1/2019					
	8/1/2010	6,689	20,067	26.89	8/1/2020					
	8/1/2011		18,490	38.95	8/1/2021					
						8/1/2008	1,352	44,819		
						8/1/2009	3,725	123,484		
					2/1/2010	47,300	1,567,995			
					8/1/2010(a)	4,463	147,948			
					8/1/2010(b)	19,832	657,431	9,918	328,782	
					8/1/2011(a)	4,108	136,180			
					8/1/2011(b)	3,214	106,544	6,847	226,978	
Totals		92,964	61,403			83,994	2,784,401	16,765	555,760	
Philip H. Wehl	7/27/2004	2,732		20.49	7/27/2014					
	7/25/2006	2,650		27.06	7/25/2016					
	8/1/2007	5,376		38.99	8/1/2017					
	8/1/2008	5,316	1,773	29.60	8/1/2018					
	8/1/2009		4,882	21.48	8/1/2019					
	8/1/2010		12,542	26.89	8/1/2020					

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	8/1/2011	11,556	38.95	8/1/2021					
					8/1/2008	394	13,061		
					8/1/2009	1,085	35,968		
					2/1/2010	18,920	627,198		
					8/1/2010(a)	2,790	92,489		
					8/1/2010(b)	12,394	410,861	6,200	205,530
					8/1/2011(a)	2,567	85,096		
					8/1/2011(b)	2,009	66,598	4,279	141,849
Totals		16,074	30,753			40,159	1,331,271	10,479	347,379
John R. Tucker	11/1/2008	15,525	5,175	21.06	11/1/2018				
	8/1/2009	6,809	6,809	21.48	8/1/2019				
	8/1/2010	2,717	8,153	26.89	8/1/2020				
	8/1/2011		11,556	38.95	8/1/2021				
					11/1/2008	1,150	38,123		
					8/1/2009	1,513	50,156		
					2/1/2010	14,190	470,399		
					8/1/2010(a)	1,813	60,101		
					8/1/2010(b)	8,056	267,056	4,030	133,595
					8/1/2011(a)	2,567	85,096		
					8/1/2011(b)	2,009	66,598	4,279	141,849
Totals		25,051	31,693			31,298	1,037,529	8,309	275,444

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Name	Option Awards(1)					Stock Awards(1)			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)(2)
	Grant Date	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock (\$)(2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)
John H. Jacko, Jr.	3/5/2007	44,000		30.53	3/5/2017				
	8/1/2007	7,500		38.99	8/1/2017				
	8/1/2008	14,832	4,945	29.60	8/1/2018				
	8/1/2009	6,809	6,809	21.48	8/1/2019				
	8/1/2010	2,717	8,153	26.89	8/1/2020				
	8/1/2011		9,823	38.95	8/1/2021				
						8/1/2008	1,098	36,399	
						8/1/2009	1,513	50,156	
						2/1/2010	18,920	627,198	
						8/1/2010(a)	1,813	60,101	
						8/1/2010(b)	8,056	267,056	4,030
						8/1/2011(a)	2,182	72,333	
						8/1/2011(b)	1,707	56,587	3,638
Totals		75,858	29,730				35,289	1,169,830	7,668

Notes and Supplemental Tables to Outstanding Equity Awards at Fiscal Year 2012 End Table

(1) Vesting Information:

Grant Date	Vesting Schedule
8/1/2008	The restricted stock awards and stock option awards granted on this date vest 25% each year over four years beginning on the first anniversary of the grant date.
11/1/2008	The stock option award and restricted stock award granted to Mr. Tucker on this date each vest 25% each year over four years beginning on the first anniversary of the grant date.
8/1/2009	The restricted unit awards and stock option awards granted on this date vest 25% each year over four years beginning on the first anniversary of the grant date.
2/1/2010	The restricted unit awards granted on this date vest 100% on the third anniversary of the grant date.
8/1/2010	(a) The restricted unit awards and stock option awards granted on this date vest 25% each year over four years beginning on the first anniversary of the grant date. (b) The performance unit awards granted on this date are subject to annual performance conditions and may be earned 1/3 each year over a three year period if the performance conditions for each particular year are satisfied. The performance conditions underlying Year 1 (Fiscal 2011) and Year 2 (Fiscal 2012) of the performance period for these awards have been deemed earned by the Compensation Committee as of June 30, 2011 and June 30, 2012, respectively. However, these performance units remain subject to an additional service condition that requires the NEO to be

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employed by us at the payment date following the 3-year performance period. The number of performance units which have been deemed earned (but unvested) by the Compensation Committee are reported in the Number of Shares or Units of Stock That Have Not Vested column and the number of performance units which remain subject to performance conditions have been included in the Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That have Not Vested column (based on achieving maximum performance goals).

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Grant Date	Vesting Schedule
8/1/2011	<p>(a) The restricted unit awards and stock option awards granted on this date vest 25% each year over four years beginning on the first anniversary of the grant date.</p> <p>(b) The performance unit awards granted on this date are subject to annual performance conditions and may be earned 1/3 each year over a three year period if the performance conditions for each particular year are satisfied. The performance conditions underlying Year 1 (Fiscal 2012) of the performance period for these awards have been deemed earned by the Compensation Committee as of June 30, 2012. However, these performance units remain subject to an additional service condition that requires the NEO to be employed by us at the payment date following the 3-year performance period. The number of performance units which have been deemed earned (but unvested) by the Compensation Committee are reported in the Number of Shares or Units of Stock That Have Not Vested column and the number of performance units which remain subject to performance conditions have been included in the Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That have Not Vested column (based on achieving target performance goals).</p>

(2) Market value is calculated using the closing price of our common stock on June 29, 2012 (\$33.15).

Option Exercises and Stock Vested In 2012

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(2)(3)
Carlos M. Cardoso	65,609	1,247,833	31,446	1,193,006
Frank P. Simpkins			5,726	223,028
Philip H. Wehl	31,845	493,341	2,164	84,288
John R. Tucker			2,511	95,756
John H. Jacko, Jr.			2,877	112,059

Notes and Supplemental Tables to Option Exercises and Stock Vested in 2012 Table

- (1) These values represent the difference between the market price of the underlying shares at exercise and the exercise price of the options multiplied by the number of shares acquired on exercise.
- (2) These values represent the aggregate dollar amount realized upon vesting. The value is calculated by multiplying the number of shares of stock that vested by the market value of the shares on the vesting date.
- (3) In connection with the vesting of restricted stock/unit awards, our NEOs surrendered shares to satisfy tax withholding requirements, which reduced the actual value they received upon vesting. The number of shares surrendered and the corresponding value of those shares is shown below.

Name

	Number of Shares Surrendered for Tax Withholding	Value of Shares Surrendered (\$)
Carlos M. Cardoso	13,521	512,782
Frank P. Simpkins	2,265	88,222
Philip H. Weihl	833	32,445
John R. Tucker	742	28,296
John H. Jacko, Jr.	850	33,108

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The following table shows benefits our NEOs are entitled to under our retirement programs, which are described more fully in the narrative that follows and in the CD&A section of this proxy statement.

2012 Pension Benefits

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit(1) (\$)	Payments During Last Fiscal Year (\$)
Carlos M. Cardoso	RIP	0.7	25,792	
	ERP	9.2	3,718,816	
Frank P. Simpkins	RIP	8.2	150,348	
	ERP	13.7	1,515,370	
Philip H. Weihl	RIP	17.3	500,814	
	ERP	7.2	1,035,049	
John R. Tucker	RIP	N/A	N/A	
	ERP	3.8	865,157	
John H. Jacko, Jr.	RIP	N/A	N/A	
	ERP	5.3	690,139	

Notes to 2012 Pension Benefits Table

- (1) The accumulated benefit is based on the NEO's historical compensation, length of service, the plan's provisions, and applicable statutory and regulatory requirements. The present value has been calculated assuming the NEO will remain in service until age 65 for the RIP and 62 for the ERP. Vesting schedules under the plans are disregarded for purposes of these calculations. Refer to note 13 to the financial statements in Kennametal's Annual Report on Form 10-K for 2012 for a discussion of additional assumptions used in calculating the present value.

Retirement Programs

Qualified Defined Benefits Plan. The Kennametal Retirement Income Plan is a qualified defined benefit plan that provides monthly retirement benefits to eligible employees. On October 28, 2003, the Board of Directors approved amendments to the RIP which became effective on December 31, 2003. Effective January 1, 2004, no new non-union employees were eligible for participation in the RIP. Additionally, benefits under the RIP were frozen, meaning that they did not continue to accrue after December 31, 2003, for participants who did not meet specified age and service criteria. Certain participants were grandfathered and continued their participation in the RIP after December 31, 2003. (Grandfathered participants were those who, as of December 31, 2003, were either (a) age 45 with 20 years of continuous service or (b) age 50 with 5 years of continuous service.) Neither Mr. Jacko nor Mr. Tucker participated in the RIP. None of our other NEOs met the criteria for continuation; therefore, their benefit accruals under the RIP were frozen as of January 1, 2004.

Qualified Defined Contribution Plan. The TPP is a defined contribution plan that the Company established to encourage investment and savings for eligible Kennametal employees and employees of certain subsidiaries. Eligible employees may elect to contribute a portion of their salary to the plans, and the Company may match 50% of employee contributions up to 6% of base salary. Matching contributions can be in the form of cash or Kennametal stock.

Beginning January 1, 2004, for each employee whose benefit accrual under the RIP was frozen as of December 31, 2003, the Company: (a) makes a contribution to the employee's TPP account in an amount equal to 3% of the employee's eligible compensation (salary and, if applicable, bonus) (this contribution may be in the form of Kennametal stock or cash); and (b) may make an annual discretionary cash contribution of up to 3% of

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eligible compensation based on the Company's overall performance for the fiscal year. The employee contributions, Company contributions and earnings thereon are invested and ultimately paid out in accordance with elections made by the participant. See the 2011 Summary Compensation Table and accompanying notes for more information about Company contributions to the NEOs.

Non-Qualified Plans. Our ERP, a non-qualified retirement plan, provides a formula-based benefit to our NEOs that is payable on a lump sum basis. The amount of the benefit is based upon an executive's accrued benefit percentage (which varies by age) and compensation (base salary together with Prime Bonus target awards averaged for the three most recent fiscal years). ERP benefits vest once an executive's accrued benefit percentage reaches 150%. If an executive terminates employment prior to reaching age 62, then the accrued benefit percentage is reduced to reflect the accrued benefit percentage that was applicable to the executive two years prior to the date of termination.

EQUITY COMPENSATION PLANS

Our equity compensation plans are summarized below. Grant practices and related information are generally described in the CD&A section of this proxy statement.

Kennametal Inc. Stock and Incentive Plan of 2010. The 2010 Plan provides for the granting of nonstatutory and incentive stock options and certain share awards. The aggregate number of shares available for issuance under the 2010 Plan is 3,500,000 plus shares added to the 2010 Plan from Prior Stock Plans (as defined in the 2010 Plan) in accordance with the terms of the 2010 Plan. Under the 2010 Plan, the exercise price for a stock option award must not be less than the fair market value of our shares at the time the option is granted. Fair market value is equal to the closing market price of the Company's capital stock as quoted on the New York Stock Exchange on the grant date, or if the capital stock is not traded on such date, on the closest preceding date on which the Company's capital stock was traded. Participants must pay the purchase price in full at the time of exercise. Payments may be made either in cash, by delivering shares of our capital stock (a stock swap), or by delivering a combination of shares and cash having an aggregate fair market value equal to the purchase price.

Other Stock and Incentive Plans. Each of the Kennametal Inc. Stock Option and Incentive Plan of 1992 (the 1992 Plan), the Kennametal Inc. Stock Option and Incentive Plan of 1996 (the 1996 Plan), the Kennametal Inc. Stock Option and Incentive Plan of 1999 (the 1999 Plan), and the Kennametal Inc. Stock Option and Incentive Plan of 2002 were shareowner approved plans that provided for the granting of nonstatutory and incentive stock options and certain share awards. The Kennametal Inc. 1999 Stock Plan (the 1999 Stock Plan) was a non-shareowner approved plan that provided for the granting of nonstatutory stock options and certain share awards. The 1999 Stock Plan was implemented in connection with the hiring of new employees and was not submitted for shareowner approval because at that time the NYSE permitted the listing of shares under non-shareowner approved plans for stock awards to new employees and other limited circumstances.

Although options are still outstanding under the 1996 Plan, and both options and restricted stock are outstanding under the 2002 Plan, no further grants may be made under these plans.

The Performance Bonus Stock Plan of 1995, as amended and restated on December 30, 2008 (the Bonus Stock Plan) provided for the issuance of not more than 1,500,000 shares. The Bonus Stock Plan permits certain persons (including management and/or senior executives of the Company or its subsidiaries) who participate in the Kennametal Inc. Management Performance Bonus Plan, as amended, and certain other performance-based bonus compensation plans to (i) elect to receive shares of the Company's capital stock in lieu of all or any portion of cash bonus compensation owed to such person and/or (ii) elect to have stock credits, in lieu of all or any portion of cash bonus compensation owed to such person, credited to an account established for such person by the Company. It is noted that although the Bonus Stock Plan allows for both of the aforementioned options, the Company currently only offers participants the option to elect stock credits. Pursuant to the Bonus Stock Plan, the number of shares or stock credits to be distributed to a participant under the Bonus Stock Plan is equal to the number of shares of the Company's capital stock that could have otherwise been purchased with the amount of cash bonus compensation that the participant elected to defer based on the fair market value of the Company's capital stock on the date that the cash bonus compensation would have otherwise been paid to such person.

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The Directors Stock Incentive Plan, which is a non-shareowner approved plan, provides for the issuance of not more than 400,000 shares. The plan allows any non-employee director to elect to receive shares of our capital stock in lieu of all or a portion of any Board or committee compensation that is otherwise payable to such non-employee director in any plan year or to receive stock credits for any Board or committee compensation that is deferred for any plan year pursuant to the Deferred Fee Plan.

The following table sets forth information about our equity compensation plans as of June 30, 2012.

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon		Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column A)
	Exercise of Outstanding Options, Warrants and Rights	Exercise of Outstanding Options, Warrants and Rights		
	A(1)	B(2)		C
Equity compensation plans approved by shareowners(3)	4,210,180	\$ 28.46		4,044,384
Equity compensation plans not approved by shareowners(4)	185,847			145,473
TOTAL	4,396,027	\$ 28.46		4,189,857

(1) This column also includes stock credits issued under the Bonus Stock Plan and Directors Stock Incentive Plan, restricted units granted under the 2002 Plan and the 2010 Plan, performance units granted under the 2002 Plan (reflecting performance at a maximum level), and performance units granted under the 2010 Plan (reflecting performance at a 93.9% of target). For a description of the stock credits issued under the Bonus Plan see *Equity Compensation Plans* above. For a description of the stock credits issued under the Directors Stock Incentive Plan, see *Equity Compensation Plans* above and *Board of Directors Compensation and Benefits Overview of Director Compensation Directors Stock Incentive Plan*. For a description of the restricted units and performance units issued under the 2002 Plan and the 2010 Plan, see the CD&A section of this proxy statement.

(2) The calculations of the weighted average exercise prices shown in this column do not include stock credits issued under the Bonus Stock Plan or the Directors Stock Incentive Plan, restricted units issued under the 2002 Plan and the 2010 Plan or performance units issued under the 2002 Plan and the 2010 Plan.

(3) These plans consist of: (i) the 1992 Plan; (ii) the 1996 Plan; (iii) the 1999 Plan; (iv) the 2002 Plan; (v) the 2010 Plan; and (vi) the Bonus Stock Plan. No further grants may be made from: (i) the 1992 Plan; (ii) the 1996 Plan; (iii) the 1999 Plan; or (iv) the 2002 Plan. As of June 30, 2012, the number of securities available for future issuance under the 2010 Plan, other than upon the exercise of options, warrants or rights was 3,838,203 of which 2,775,532 can be granted as full value awards. The balance of 206,181 remains available under the Bonus Stock Plan.

(4) These plans consist of: (i) the 1999 Stock Plan and (ii) the Directors Stock Incentive Plan. There are no remaining shares to be issued under the 1999 Stock Plan. The number of securities available for future issuance under the Directors Stock Incentive Plan, other than upon the exercise of options, warrants or rights, was 145,473 as of June 30, 2012. For a description of the 1999 Stock Plan and Directors Stock Incentive Plan, see *Equity Compensation Plans* above.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE-IN-CONTROL

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In certain circumstances, our Amended and Restated Officer's Employment Agreement (the "Employment Agreement") provides for post-termination payments to our NEOs upon termination of employment and/or in the event of a change in control. The material provisions of the Employment Agreement are described in the CD&A section of this proxy statement. Under the Employment Agreement, the amount a NEO would receive upon termination of his employment depends on the reason for his termination and whether the termination is in connection with a change in control. Our stock and incentive plans and programs, and certain of our retirement plans

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also include change in control provisions. The following discussion explains the effects of termination, both within and outside of the context of a change in control, under the Employment Agreement, our stock and incentive plans and programs, and our applicable retirement plans.

Termination of Employment Outside of a Change-in-Control

Termination Provisions under the Employment Agreement

Select definitions. The terms set forth below generally have the following meanings under the Employment Agreement and as used in this discussion:

Change in Control means a change in control transaction of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A promulgated under the Securities Exchange Act of 1934, as amended. Transactions that would be deemed a Change in Control include:

A merger with any other corporation or entity other than one in which we own all of the outstanding equity interests;

A sale of all or substantially all of our assets; and

The acquisition of 25% or more of the outstanding shares of Kennametal or the voting power of the outstanding voting securities of Kennametal together with or followed by a change in our Board's composition such that a majority of the Board's members does not include those who were members at the date of the acquisition or members whose election or nomination was approved by a majority of directors who were on the Board prior to the date of the acquisition.

Cause generally means that the executive: (a) is guilty of malfeasance, willful misconduct or gross negligence in the performance of his duties or (b) has not made his services available to Kennametal on a full-time basis; or (c) has breached the non-competition provisions of the Employment Agreement.

Date of Termination generally means: (a) if executive's employment is terminated due to his death or retirement, the date of death or retirement, respectively; or (b) if executive's employment is terminated for any other reason, the date on which the termination becomes effective as stated in the written notice of termination given to or by the executive.

Good Reason generally means the occurrence of any of the following at or after a Change-in-Control: (a) a material diminution of responsibilities or such executive's reporting responsibilities, titles or offices, as in effect immediately prior to a Change-in-Control; (b) a material reduction in base salary as in effect immediately prior to any Change-in-Control; (c) failure to provide comparable levels of incentive compensation; (d) a material reduction in benefit programs; (e) failure to obtain the assumption of the Employment Agreement by any successor Company; (f) the relocation of the executive to a facility more than 50 miles from present location; or (g) any purported termination of the executive by Kennametal, which is not for Cause or as a result of the executive's death.

Cash Severance. We do not pay severance to any executive officer whose employment is terminated by us for Cause or who voluntarily terminates his employment. If we terminate a NEO's employment prior to a Change-in-Control and without Cause, the NEO becomes entitled to the following:

For Mr. Cardoso A continuation of base salary for up to 24 months as severance pay, in addition to all amounts due him at the Date of Termination (as defined in his employment agreement). Severance amounts would be offset by any salary earned by Mr. Cardoso in the event he obtains other employment during the 24-month period. Any severance pay will be paid in substantially equal installments, no less frequently than monthly, in accordance with the Company's established payroll policies and practices as in effect on the Date of Termination beginning on the first normal pay date thereafter; provided, however, any payments that Mr. Cardoso would be entitled to during the first six months following the Date of Termination will be delayed and accumulated and paid on the first day of the seventh month following his Date of Termination (or, if earlier, the date of his death).

For Messrs. Simpkins, Weihl, Tucker and Jacko A continuation of base salary for 12 months as severance pay, in addition to all amounts due them at the Date of Termination (as defined in their employ-

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ment agreement). Any severance pay will be paid in substantially equal installments, no less frequently than monthly, in accordance with the Company's established payroll policies and practices as in effect on the Date of Termination beginning on the first normal pay date thereafter or, if later, the date such executive's release becomes effective and irrevocable (with an aggregate initial installment representing the total amount due as if severance payments commenced on the normal pay date immediately following the executive's Date of Termination).

For all NEOs

Severance amounts are payable in accordance with our established payroll policies.

We may discontinue severance payments if we determine the executive has violated any provision of the Employment Agreement (including the three-year non-competition provision).

Executives are not entitled to severance under any other termination scenario outside of a Change-in-Control context.

Termination Provisions Under Our Equity Compensation Plans and Programs

We provide equity-based (LTI) and, in the past, have provided cash-based (Cash LTIP) long-term incentive awards for executives. (Please see the discussion in the CD&A section of this proxy statement for further details of these programs.) LTI awards are granted under the 2010 Plan; however, certain of our NEOs have restricted stock or stock option awards that are outstanding under the 2002 Plan.

2002 Plan The 2002 Plan does not provide for additional benefits in the event of termination of employment except in the case of death, disability and retirement.

Death and Disability:

Stock Option Awards All options become fully vested and exercisable in full as of the date the awardee's employment is terminated, with such options being exercisable for a period the lesser of three years or the remaining original option term.

Restricted Stock Awards and Restricted Unit Awards All unvested restricted shares and restricted units become fully vested and all restrictions lapse as of the date of the awardee's employment is terminated.

Performance Unit Awards In the event an awardee's employment is terminated during the performance period on account of death or disability, the service condition applicable to such awards will be waived. For completed fiscal years, the awardee will be entitled to receive payment for any performance units that have been earned based on the achievement of the performance conditions applicable to such fiscal year. For fiscal years not completed, the performance conditions will be deemed to have been achieved at the target level and the awardee will be deemed to have earned for each such fiscal year a number of performance units that were able to be earned for such fiscal year. In the event an awardee's employment is terminated during the period between the end of the performance period and the payment date on account of death or disability, the service condition applicable to the award will be waived and the awardee will be entitled to receive payment for any performance units that have been earned based on the achievement of the performance conditions prior to the date of death or disability.

Cash LTIP Awards Cash LTIP awards become vested on a pro-rata percentage of the award and become immediately payable.

Retirement:

Stock Option Awards Unvested stock options continue to vest in accordance with their original vesting schedule for a two-year period following termination, with such options being exercisable for a period following termination of the lesser of three years or the remaining original option term. Any remaining unvested stock options are forfeited after the expiration of the two-year period.

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Restricted Stock Awards and Restricted Unit Awards all unvested restricted shares and restricted units become fully vested and all restrictions lapse as of the date of the awardee's employment is terminated.

Performance Unit Awards In the event a retirement eligible awardee's employment is terminated on account of retirement during the performance period, the amount of a performance unit award to be paid, if any, will be determined as follows. For completed fiscal years, the awardee will be entitled to receive payment for any performance units that have been earned based on the achievement of the performance conditions applicable to such fiscal year. For the fiscal year in which the termination occurs, the awardee will be entitled to receive a pro rata portion of the performance units that have been earned based on the ratio of the number of months the awardee was employed during the performance period to the total number of months in the performance period. All other performance units granted under the award, including performance units that could have been earned for fiscal years after the fiscal year in which the termination occurred, will be cancelled and forfeited without payment by the Company.

Cash LTIP Awards Cash LTIP awards become vested on a pro-rata percentage of the award, subject to final determination based upon achievement of the prescribed performance targets, and are payable at the end of the designated performance period.

Non-Competition Provisions in the 2002 Plan: Under the 2002 Plan, the right to exercise a stock option or vest in any restricted shares or restricted units is conditioned on compliance with certain non-competition provisions during employment and for two years after employment ends. Further, if the NEO received or is entitled to the delivery or vesting of stock during the last 12 months of employment or during the 24 months following termination, the Board of Directors may require the executive to forfeit the shares if it deems the executive engaged in Injurious Conduct (as defined in the plan documents).

2010 Plan The 2010 Plan does not provide for additional benefits in the event of termination of employment except in the case of death, disability and retirement.

Death and Disability:

Stock Option Awards all options become fully vested and exercisable in full as of the date the awardee's employment is terminated, with such options being exercisable for a period the lesser of three years or the remaining original option term.

Restricted Stock Awards and Restricted Unit Awards all unvested restricted shares and restricted units become fully vested and all restrictions lapse as of the date of the awardee's employment is terminated.

Performance Unit Awards In the event an awardee's employment is terminated during the performance period on account of death or disability, the service condition applicable to such awards will be waived. For completed fiscal years, the awardee will be entitled to receive payment for any performance units that have been earned based on the achievement of the performance conditions applicable to such fiscal year. For fiscal years not completed, the performance conditions will be deemed to have been achieved at the target level and the awardee will be deemed to have earned for each such fiscal year a number of performance units that were able to be earned for such fiscal year. In the event an awardee's employment is terminated during the period between the end of the performance period and the payment date on account of death or disability, the service condition applicable to the award will be waived and the awardee will be entitled to receive payment for any performance units that have been earned based on the achievement of the performance conditions prior to the date of death or disability.

Retirement:

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Stock Option Awards all options become fully vested and exercisable in full as of the date the awardee's employment is terminated, with such options being exercisable for a period the lesser of three years or the remaining original option term.

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Restricted Stock Awards and Restricted Unit Awards all unvested restricted shares and restricted units become fully vested and all restrictions lapse as of the date of the awardee's employment is terminated.

Performance Unit Awards In the event a retirement eligible awardee's employment is terminated on account of retirement during the performance period, the amount of a performance unit award to be paid, if any, will be determined as follows. For completed fiscal years, the awardee will be entitled to receive payment for any performance units that have been earned based on the achievement of the performance conditions applicable to such fiscal year. For the fiscal year in which the termination occurs, the awardee will be entitled to receive a prorata portion of the performance units that have been earned based on the ratio of the number of complete months the awardee was employed during the performance period to the total number of months in the performance period. All other performance units granted under the award, including performance units that could have been earned for fiscal years after the fiscal year in which the termination occurred, will be cancelled and forfeited without payment by the Company.

Non-Competition Provisions in the 2010 Plan: Under the 2010 Plan, the right to exercise a stock option or vest in any restricted shares, restricted units or performance units is conditioned on compliance with certain non-competition provisions during employment and for two years after employment ends. Further, if the NEO received or is entitled to the delivery or vesting of stock during the last 12 months of employment or during the 24 months following termination, the Board of Directors may require the executive to forfeit the shares if it deems the executive engaged in Injurious Conduct (as defined in the plan documents).

Termination Provisions Under Certain of Our Retirement Plans

We maintain various retirement programs including the RIP, the TPP (a 401(k) plan) and the ERP. (Please see the discussion of *Retirement Programs* in the CD&A section for additional details regarding these retirement programs.) Not all executive officers participate in each plan. There are no additional benefits provided to the NEOs in the event of a termination of employment prior to a Change in Control. The right to receive benefits under the ERP are conditioned on certain non-competition and non-solicitation provisions applicable during employment and for the three-year period following termination. If the Compensation Committee determines that a violation of the provisions has occurred and the violation is not corrected within the allotted time, the executive forfeits any right to future payments under the ERP. The Committee is authorized to take legal action to recover benefits that have already been paid.

Termination of Employment In Connection with a Change in Control

Termination Provisions under the Employment Agreement Change-in-Control

Cash severance pay. If a NEO's employment is terminated upon a Change in Control or within three years after a Change in Control, either by the executive for Good Reason or by the employer other than for Cause or disability, the executive will receive in cash as severance pay an amount equal to the product of:

(i) **the lesser of:**

(x) 2 and eight tenths (2.8),

(y) a number equal to the number of calendar months remaining from the Date of Termination to the executive's retirement date (defined in the Employment Agreement), divided by twelve (12), or

(z) a number equal to the product obtained by multiplying thirty-six (36) less the number of completed months after the date of the Change in Control during which the executive was employed and did not have Good Reason for termination, times one-twelfth (1/12)

times

(ii) the sum of (x) and (y) below:

(x) executive's base salary at the annual rate in effect on the Date of Termination (or, if greater, at the annual rate in effect on the first day of the calendar month immediately prior to Change-in-Control), plus

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(y) the average of any bonuses which executive was entitled to or paid during the three most recent fiscal years ending prior to the Date of Termination or, if the executive is employed for less than one year, the target bonus for the year in which the termination occurred.

Continuation of medical and welfare benefits. For a three-year period following the Date of Termination, the NEO will receive the same or equivalent medical, dental, disability and group insurance benefits that he received at the Date of Termination.

To the extent that the benefits cannot be provided by law or plan provision, the Company will make a payment to the executive equal to the difference between the amounts that would have been paid under the programs and the amount paid, if any, by the executive.

Partial excise tax gross-up. The Company will provide a payment adjustment if, due to excise taxes imposed by Section 4999 of the Internal Revenue Code of 1986, as amended, the executive's net after-tax benefits are less than intended under the cash severance component described above.

This calculation is determined by assessing the total after-tax value of all benefits provided upon a Change in Control. To the extent that the after-tax benefit is less than the cash severance payment, an additional payment is made to the executive that will permit the executive to receive the full intended benefit of the cash severance pay, as determined on an after-tax basis.

Termination Provisions Under Our Equity Compensation Plans and Programs Change-in-Control

Equity-based and other cash-based long-term incentive awards. The following provisions apply to previously granted and outstanding awards in the event of a Change in Control.

2002 Plan Unless the Board determines otherwise by resolution prior to a Change in Control, in the event of a Change in Control, all options will become exercisable in full immediately prior to the Change in Control and all restricted shares, restricted units, performance units and Cash LTIP awards will become immediately vested and all restrictions on those awards will lapse immediately prior to the Change in Control. In addition, all options held by an employee who is terminated for any reason during the two years following a Change in Control will immediately vest in full and may be exercised at any time within the three-month period following the date of termination (regardless of the expiration date of the option). Similarly, all restricted shares, restricted units, performance units and Cash LTIP awards held by an employee who is terminated for any reason during the two years following a Change in Control will automatically vest and all restrictions will lapse.

2010 Plan Unless the Board determines otherwise by resolution, in the event of a Change in Control, all options will become exercisable in full immediately prior to the Change in Control and all restricted shares, restricted units, performance units and Cash LTIP awards will become immediately vested and all restrictions on those awards will lapse immediately prior to the Change in Control. In addition, all options held by an executive who is terminated for any reason during the two years following a Change in Control will immediately vest in full and may be exercised at any time within the three-month period following the date of termination (regardless of the expiration date of the option). Similarly, all restricted shares, restricted units, performance units and Cash LTIP awards held by an employee who is terminated for any reason during the two years following a Change in Control will automatically vest and all restrictions will lapse.

Termination Provisions Under Our Retirement Plans Change-in-Control

The benefits under the TPP and ERP are impacted in the event of a Change in Control as described below.

ERP Each executive who is an employee at the time of a Change in Control will become 100% vested in the ERP. Receipt of the ERP benefits are conditioned upon compliance with the non-competition and non-solicitation provisions described above.

TPP The terms of the Employment Agreement provide that each executive will receive three years of additional credit for purposes of computing the amount of the Company match that would have been provided under the TPP assuming the executive had contributed the maximum allowable elective deferral for such years

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and provided the executive is actively participating in the TPP at the time of a Change in Control. The annual Company match is equal to 50% of the first 6% of eligible compensation deferred by a participant. Additionally, each executive will receive three years of additional credit for purposes of computing a basic contribution of 3% of eligible compensation for such years provided the executive is actively participating in the TPP (and not grandfathered under the RIP) at the time of a Change in Control. The Company may also contribute up to an additional 3% of compensation to executives at the discretion of the Board of Directors.

The following tables detail the incremental payments and benefits (above those already disclosed in this proxy statement) to which the NEOs would have been entitled under each termination of employment and change in control scenario, assuming the triggering event occurred on June 30, 2012. Please see the footnotes to the tables for additional information.

Named Executive Officer	Non-Change in Control				Change in Control	
	Involuntary Not For Cause Termination of Employment	Death	Disability	Retirement	Involuntary Not for Cause Termination of Employment by Company or Executive for Good Reason	Without Termination of Employment
Carlos M. Cardoso						
Payments and Benefits						
Severance(1)	\$ 1,872,000	\$	\$	\$	\$ 5,477,513	\$
Stock Options (Unvested)(2)	\$	\$ 1,162,564	\$ 1,162,564	\$	\$ 1,162,564	\$ 1,162,564
Restricted Shares (Unvested)(3)	\$	\$ 123,219	\$ 123,219	\$	\$ 123,219	\$ 123,219
Restricted Units (Unvested)(3)	\$	\$ 4,273,930	\$ 4,273,930	\$	\$ 4,273,930	\$ 4,273,930
Performance Units (Unvested)(3)	\$	\$ 5,303,337	\$ 5,303,337	\$	\$ 5,303,337	\$ 5,303,337
ERP(4)	\$	\$	\$	\$	\$	\$
Thrift Plan Contributions(5)	\$	\$	\$	\$	\$ 64,200	\$
Health & Welfare Benefits Continuation(6)	\$	\$	\$	\$	\$ 51,021	\$
Life Insurance Proceeds(7)	\$	\$ 500,000	\$	\$	\$	\$
Subtotals	\$ 1,872,000	\$ 11,363,050	\$ 10,863,050	\$	\$ 16,455,784	\$ 10,863,050
Excise Tax and Gross-up(8)	\$	\$	\$	\$	\$	\$
Totals	\$ 1,872,000	\$ 11,363,050	\$ 10,863,050	\$	\$ 16,455,784	\$ 10,863,050

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Named Executive Officer	Non-Change in Control				Change in Control	
	Involuntary Not For Cause Termination of Employment	Death	Disability	Retirement	Involuntary Not for Cause Termination of Employment by Company or by Executive for Good Reason	Without Termination of Employment
Frank P. Simpkins						
Payments and Benefits						
Severance(1)	\$ 470,000	\$	\$	\$	\$ 2,239,052	\$
Stock Options (Unvested)(2)	\$	\$ 342,814	\$ 342,814	\$	\$ 342,814	\$ 342,814
Restricted Shares (Unvested)(3)	\$	\$ 44,819	\$ 44,819	\$	\$ 44,819	\$ 44,819
Restricted Units (Unvested)(3)	\$	\$ 1,975,607	\$ 1,975,607	\$	\$ 1,975,607	\$ 1,975,607
Performance Units (Unvested)(3)	\$	\$ 1,155,344	\$ 1,155,344	\$	\$ 1,155,344	\$ 1,155,344
ERP(4)	\$	\$	\$	\$	\$	\$
Thrift Plan Contributions(5)	\$	\$	\$	\$	\$ 67,950	\$
Health & Welfare Benefits Continuation(6)	\$	\$	\$	\$	\$ 54,854	\$
Life Insurance Proceeds(7)	\$	\$ 500,000	\$	\$	\$	\$
Subtotals	\$ 470,000	\$ 4,018,584	\$ 3,518,584	\$	\$ 5,880,440	\$ 3,518,584
Excise Tax and Gross-up(8)	\$	\$	\$	\$	\$	\$
Totals	\$ 470,000	\$ 4,018,584	\$ 3,518,584	\$	\$ 5,880,440	\$ 3,518,584

Named Executive Officer	Non-Change in Control				Change in Control	
	Involuntary Not For Cause Termination of Employment	Death	Disability	Retirement	Involuntary Not for Cause Termination of Employment by Company or by Executive for Good Reason	Without Termination of Employment
Philip H. Wehl						
Payments and Benefits						
Severance(1)	\$ 350,000	\$	\$	\$	\$ 1,552,384	\$
Stock Options (Unvested)(2)	\$	\$ 141,780	\$ 141,780	\$	\$ 141,780	\$ 141,780
Restricted Shares (Unvested)(3)	\$	\$ 13,061	\$ 13,061	\$	\$ 13,061	\$ 13,061
Restricted Units (Unvested)(3)	\$	\$ 840,750	\$ 840,750	\$	\$ 840,750	\$ 840,750
Performance Units (Unvested)(3)	\$	\$ 722,040	\$ 722,040	\$	\$ 722,040	\$ 722,040
ERP(4)	\$	\$	\$	\$	\$	\$
Thrift Plan Contributions(5)	\$	\$	\$	\$	\$ 66,150	\$
Health & Welfare Benefits Continuation(6)	\$	\$	\$	\$	\$ 55,932	\$
Life Insurance Proceeds(7)	\$	\$ 500,000	\$	\$	\$	\$
Subtotals	\$ 350,000	\$ 2,217,631	\$ 1,717,631	\$	\$ 3,392,097	\$ 1,717,631
Excise Tax and Gross-up(8)	\$	\$	\$	\$	\$	\$
Totals	\$ 350,000	\$ 2,217,631	\$ 1,717,631	\$	\$ 3,392,097	\$ 1,717,631

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Named Executive Officer	Non-Change in Control				Change in Control	
	Involuntary Not For Cause Termination of Employment	Death	Disability	Retirement	Involuntary Not for Cause Termination of Employment by Company or by Executive for Good Reason	Without Termination of Employment
John R. Tucker						
Payments and Benefits						
Severance(1)	\$ 426,000	\$	\$	\$	\$	\$
Stock Options (Unvested)(2)	\$	\$ 193,053	\$ 193,053	\$	\$ 193,053	\$ 193,053
Restricted Shares (Unvested)(3)	\$	\$ 38,123	\$ 38,123	\$	\$ 38,123	\$ 38,123
Restricted Units (Unvested)(3)	\$	\$ 665,751	\$ 665,751	\$	\$ 665,751	\$ 665,751
Performance Units (Unvested)(3)	\$	\$ 542,301	\$ 542,301	\$	\$ 542,301	\$ 542,301
ERP(4)	\$	\$	\$	\$	\$	\$
Thrift Plan Contributions(5)	\$	\$	\$	\$	\$ 67,732	\$
Health & Welfare Benefits Continuation(6)	\$	\$	\$	\$	\$ 64,044	\$
Life Insurance Proceeds(7)	\$	\$ 500,000	\$	\$	\$	\$
Subtotals	\$ 426,000	\$ 1,939,228	\$ 1,439,228	\$	\$ 1,571,004	\$ 1,439,228
Excise Tax and Gross-up(8)	\$	\$	\$	\$	\$	\$
Totals	\$ 426,000	\$ 1,939,228	\$ 1,439,228	\$	\$ 1,571,004	\$ 1,439,228

Named Executive Officer	Non-Change in Control				Change in Control	
	Involuntary Not For Cause Termination of Employment	Death	Disability	Retirement	Involuntary Not for Cause Termination of Employment by Company or by Executive for Good Reason	Without Termination of Employment
John H. Jacko, Jr.						
Payments and Benefits						
Severance(1)	\$ 375,000	\$	\$	\$	\$ 1,281,554	\$
Stock Options (Unvested)(2)	\$	\$ 148,042	\$ 148,042	\$	\$ 148,042	\$ 148,042
Restricted Shares (Unvested)(3)	\$	\$ 36,399	\$ 36,399	\$	\$ 36,399	\$ 36,399
Restricted Units (Unvested)(3)	\$	\$ 809,788	\$ 809,788	\$	\$ 809,788	\$ 809,788
Performance Units (Unvested)(3)	\$	\$ 511,040	\$ 511,040	\$	\$ 511,040	\$ 511,040
ERP(4)	\$	\$	\$	\$	\$ 405,838	\$ 674,529
Thrift Plan Contributions(5)	\$	\$	\$	\$	\$ 63,231	\$
Health & Welfare Benefits Continuation(6)	\$	\$	\$	\$	\$ 70,696	\$
Life Insurance Proceeds(7)	\$	\$ 500,000	\$	\$	\$	\$
Subtotals	\$ 375,000	\$ 2,005,269	\$ 1,505,269	\$	\$ 3,326,588	\$ 2,179,798
Excise Tax and Gross-up(8)	\$	\$	\$	\$	\$	\$
Totals	\$ 375,000	\$ 2,005,269	\$ 1,505,269	\$	\$ 3,326,588	\$ 2,179,798

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Footnotes to Potential Payments upon Termination or Change-In-Control Tables

- (1) Each named executive's Employment Agreement provides that certain severance payments will be cut back to amounts that do not exceed each named executive officer's respective safe harbor limit, as defined under the golden parachute rules of Internal Revenue Code Section 280G. The change in control severance disclosed in the table for Simpkins, Jacko and Wehl are limited to their respective safe harbors in accordance with their Employment Agreements. If these safe harbor limits did not apply, Simpkins would receive \$2,378,133, Jacko would receive \$1,661,800 and Wehl would receive \$1,682,273.
- (2) Messrs. Cardoso, Simpkins, Jacko, Tucker and Wehl would not receive accelerated vesting upon retirement under the 2010 Plan until they become retirement eligible. The incremental value shown above for each stock option subject to accelerated vesting is calculated based on the difference between the fair market value of the stock price on June 29, 2012 (the last day of fiscal year 2012) and the exercise price set at the date of grant.
- (3) Messrs. Cardoso, Simpkins, Jacko, Tucker and Wehl would not receive accelerated vesting upon retirement under the 2002 Plan and/or the 2010 Plan until they become retirement eligible. The incremental value shown above for each restricted stock award, restricted unit award, and performance unit award subject to accelerated vesting is calculated based on the fair market value of the stock price on June 29, 2012. Any performance units outstanding (for which the applicable performance period has not been completed as of the change in control date) date are assumed to be accelerated for vesting purposes and paid at target value.
- (4) In a Change of Control context, NEOs covered under the ERP (Messrs. Cardoso, Simpkins, Jacko, Tucker, and Wehl) would receive accelerated vesting of benefits under the ERP, but no additional continuous service credits under any termination scenario. In any circumstance (regardless of whether a Change in Control has occurred), if the named executive's employment is voluntarily or involuntarily terminated prior to attainment of age 62, then the ERP provides that the executive forfeits the last 24 months of credited service under the plan. This forfeiture does not apply to terminations upon death or disability. Other than Mr. Jacko, all NEOs are currently vested in their benefits under the ERP, which is why no incremental values have been provided for any of the NEOs (except for Mr. Jacko).
- (5) The Employment Agreement provides that basic and matching contributions under the TPP will continue for a three (3) year period in the case of an involuntary, not for Cause termination or a termination by the executive for Good Reason in connection with a change in control. To the extent that the terms and conditions under the TPP would not allow these continued contributions, a payment to the executive in an amount equal to the calculated benefit would be made. The TPP basic contributions are calculated based on the maximum eligible compensation allowable under a qualified plan for the fiscal year multiplied by 3%. The TPP matching contributions are calculated based on the maximum eligible compensation allowable under a qualified plan for the fiscal year multiplied by 3% i.e., match of 50% of first 6% of eligible compensation. A discretionary contribution of up to 3% of maximum compensation may also be awarded under the TPP; however, no amount for such contribution is included in this disclosure.
- (6) These benefits consist of continued medical, dental, group term life, long term disability benefits, and accidental death and dismemberment for three (3) years upon involuntary, not for Cause termination or upon termination by the executive for Good Reason in connection with a change in control.
- (7) The company secures a life insurance policy for executive officers with a face value death benefit of \$500,000 payable to the executive's beneficiary upon the executive's death.
- (8)

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These payments are only payable in the case that the executive's payments following a Change in Control result in excess parachute payments under IRC Section 280G. The Employment Agreement provides that any excise tax and gross up payments will equal only that amount required to assure that the executive receives payment at least equal to the expected severance payment without the executive incurring golden parachute excise tax out of pocket. The estimated calculations incorporate the following tax rates: IRC Section 4999 excise tax rate of 20 percent, a statutory 35 percent federal income tax rate, a 1.45 percent Medicare tax rate and a 3.07 percent state income tax rate.

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Proposal III. Advisory Vote on Executive Compensation

Our shareowners have the opportunity to vote to approve on a non-binding, advisory basis, the compensation paid to our NEOs as disclosed in the Executive Compensation section of this proxy statement, as required by Section 14A of the Exchange Act. This Say on Pay vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and our compensation philosophy, policies and practices as disclosed in this proxy statement pursuant to the compensation disclosure rules of the SEC, including the CD&A section of this proxy statement under the caption Executive Compensation and the compensation tables and narrative following the CD&A section of this proxy statement.

At our 2011 annual meeting of shareowners, the Company held an advisory (non-binding) vote to determine the frequency of future Say on Pay votes. Based on the voting results for this proposal at the 2011 annual meeting, the Board determined that the Say on Pay vote will be conducted annually until the next advisory vote is held to determine the frequency of the Say on Pay vote, which will occur no later than our 2017 annual meeting of shareowners.

We believe that our CD&A and other compensation disclosures included in this proxy statement evidence a sound and prudent compensation philosophy and set of policies and practices and that our compensation decisions are consistent with our Pay for Performance philosophy and related policies and practices. We also believe that the Company's compensation programs effectively align the interests of our executive officers with those of our shareowners by tying a significant portion of our executives' compensation to the Company's performance and by providing a competitive level of compensation needed to recruit, retain and motivate talented executives critical to the Company's long-term success.

For the foregoing reasons, we are asking our shareowners to indicate their approval, on an advisory basis, of the compensation paid to our NEOs as disclosed in this proxy statement pursuant to the compensation disclosure rules of the SEC, including the CD&A and the compensation tables and narrative following the CD&A. While this vote is non-binding, the Company values the opinions of its shareowners and will consider the outcome of the vote when making future decisions concerning executive compensation.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE COMPENSATION OF THE COMPANY'S NEOs AS DISCLOSED PURSUANT TO ITEM 402 OF REGULATION S-K ON PAGES 26 TO 67 OF THIS PROXY STATEMENT.

Table of Contents**OWNERSHIP OF CAPITAL STOCK BY****DIRECTORS, NOMINEES AND EXECUTIVE OFFICERS**

The following table sets forth beneficial ownership information as of August 15, 2012 for our directors, nominees, NEOs and all directors and executive officers as a group.

Name of Beneficial Owner	Total	Stock Credits(3)	Performance	Restricted Units(5)	Total
	Beneficial Ownership(1)(2)		Units Awards(4)		Ownership(6)
Ronald M. DeFeo	84,115	19,736		2,270	106,121
Philip A. Dur	55,351			2,270	57,621
William J. Harvey	9,332	1,042			10,374
Timothy R. McLevish	88,949	2,998		496	92,443
William R. Newlin	156,114(7)	103,465		2,270	261,849
Lawrence W. Stranghoener	75,247	18,902			94,149
Steven H. Wunning	66,416	11,084		1,432	78,932
Larry D. Yost	75,493	32,753			108,246
Carlos M. Cardoso	600,072	17,903	191,041	271,791	1,080,807
Frank P. Simpkins	189,199		40,984	89,675	319,858
Philip H. Weihl	52,885		25,615	44,783	123,283
John R. Tucker	48,299		21,276	35,881	105,456
John H. Jacko, Jr.	119,632(8)		19,294	38,348	177,274
Directors and Executive Officers as a Group (19 persons)	1,778,772	215,278	336,941	566,008	2,896,999

- (1) No individual beneficially owns in excess of one percent of the total shares outstanding. Directors and executive officers as a group beneficially owned 4% of the total shares outstanding as of August 15, 2012. Unless otherwise noted, the shares shown are subject to the sole voting and investment power of the person named.
- (2) In accordance with SEC rules, this column also includes shares that may be acquired pursuant to stock options that are or will become exercisable within 60 days of August 15, 2012 as follows: Mr. DeFeo, 50,999 shares; Mr. Dur, 46,259 shares; Mr. Harvey 9,332; Mr. McLevish, 68,999 shares; Mr. Newlin, 68,999 shares; Mr. Stranghoener, 68,999 shares; Mr. Wunning, 59,999 shares; Mr. Yost, 74,999 shares; Mr. Cardoso, 464,854 shares; Mr. Simpkins, 144,518 shares; Mr. Weihl, 38,642 shares; Mr. Tucker, 43,072 shares; and Mr. Jacko, 102,901 shares. Additionally, the figures shown in this column include unvested restricted shares over which the director or officer has sole voting power but no investment power as follows: Mr. Tucker, 1,150 shares.
- (3) This column represents shares of common stock to which the individuals are entitled pursuant to their election to defer fees or bonuses as stock credits under the Directors Stock Incentive Plan, the Prime Bonus Plan or its predecessor, the Performance Bonus Stock Plan, the 2002 Plan or the 2010 Plan.
- (4) This column includes performance stock units that were granted to participants in the 2012 LTI Program. Holders of these stock units have neither voting power nor investment power over the units so they are not included in the beneficial ownership amounts of the table. We show them because we include them in ownership calculations for internal purposes and they count towards the satisfaction of ownership requirements under our Stock Ownership Guidelines.

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- (5) This column represents restricted units that were awarded to executives or directors under the 2002 Plan and the 2010 Plan. Holders of restricted units have neither voting power nor investment power over the units, however, we include them in ownership calculations for internal purposes and they count towards the satisfaction of ownership requirements under our Stock Ownership Guidelines.

- (6) This column includes the shares reported in the Total Beneficial Ownership column, as well as the stock credits, performance units awards and the restricted units. These numbers (excluding the options that will

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become exercisable within 60 days that are reported in the first column) are used for purposes of determining compliance with our Stock Ownership Guidelines.

- (7) Of this amount, 67,785 shares are pledged as collateral for a loan and 41,358 shares are held in a joint account with Mr. Newlin's wife (over which he and his wife exercise shared voting and investment power).

- (8) Of this amount, 10,450 shares are held in a joint account with Mr. Jacko's wife (over which he and his wife exercise shared voting and investment power).

Table of Contents**PRINCIPAL HOLDERS OF VOTING SECURITIES**

The following table sets forth each person or entity that may be deemed to have beneficial ownership of more than 5% of our outstanding capital stock based upon information that was available to us as of August 30, 2012 in addition to the information in the filings as indicated in the footnotes below.

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned(1)	Percent of Outstanding Capital Stock(1)
Royce & Associates, LLC(2) 745 Fifth Avenue New York, NY 10151-0099	5,781,412	7.28%
Columbia Wanger Asset Management, LLC(3) 227 West Monroe Street, Suite 3000 Chicago, IL 60606	5,718,000	6.2%
Atlantic Investment Management, Inc.(4) 666 Fifth Avenue, 34th Floor New York, NY 10103	5,175,508	6.47%
The Vanguard Group, Inc.(5) 100 Vanguard Blvd. Malvern, PA 19355	3,980,950	5.01%

(1) As reported by the holder in the most recent Form 13D or Form 13G filing with the Securities Exchange Commission.

(2) According to a Schedule 13G/A filed on January 13, 2012, Royce & Associates, LLC had sole voting and investment power with respect to 5,781,412 shares as of that date.

(3) According to a Schedule 13G filed on February 10, 2012, Columbia Wanger Asset Management had sole voting power with respect to 5,318,000 shares and sole investment power with respect to 5,718,000 shares as of that date. According to the Schedule 13G, the shares reported on the Schedule 13G included shares held by Columbia Acom Trust, a Massachusetts business trust that is advised by Columbia Wanger Asset Management.

(4) According to a Schedule 13D/A filed July 13, 2012, Atlantic Investment Management, Inc. had sole voting and investment power with respect to 5,175,508 as of that date. According to the Schedule 13D/A, the shares reported on the Schedule 13D included 1,358,749 shares owned by AJR International Master Fund, Ltd., 3,226,494 shares owned by Cambrian Master Fund, Ltd., 180,000 shares owned by Cambrian Global Master Fund, Ltd. and 410,265 shares held in several managed accounts. Atlantic Investment Management, Inc., serving as the investment advisor of the foregoing parties and the managed accounts, has sole voting and investment power over these shares.

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- (5) According to a Schedule 13G filed on February 9, 2012, The Vanguard Group, Inc. had sole voting power with respect to 55,569 shares, sole investment power with respect to 3,925,381 shares and shared investment power with respect to 55,569 shares as of that date. According to the Schedule 13G, the shares reported on the Schedule 13G included 55,569 shares held by Vanguard Fiduciary Trust Company (VFTC), a wholly-owned subsidiary of The Vanguard Group, Inc. VFTC directs the voting of these shares.

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**FORM 10-K ANNUAL REPORT TO THE
SECURITIES AND EXCHANGE COMMISSION**

Copies of our Annual Report on Form 10-K for the fiscal year ended June 30, 2012 as filed with the SEC were mailed to shareowners with this proxy statement. Copies of all Company filings with the SEC are available on our website at www.kennametal.com under the Investor Relations tab. A shareowner may obtain a paper copy of this proxy statement, the 2012 Annual Report or any other filing with the SEC without charge by submitting a Printed Materials Request, which can be found on our website at www.kennametal.com under the Investor Relations tab in the Investor Tool Kit. Alternatively, shareowners may write to: Director of Investor Relations, Kennametal Inc., 1600 Technology Way, Latrobe, Pennsylvania 15650.

OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

Under Securities and Exchange Commission rules, our directors, executive officers and owners of more than 10% of our stock are required to file with the SEC reports of holdings and changes in beneficial ownership of Kennametal stock on Forms 3, 4 and 5. SEC regulations also require our directors, executive officers and greater than ten percent (10%) shareowners to furnish us with copies of all Forms 3, 4 and 5 they file. We routinely provide information and support to our directors and executive officers to assist with the preparation of Forms 4. We have reviewed copies of reports provided to us, as well as other records and information. Based on that review, we concluded that all reports were timely filed for 2012.

Table of Contents**Appendix A****Adjusted EBIT and Adjusted ROIC Reconciliations**

The following supplemental financial data provides a reconciliation of reported results under generally accepted accounting principles in the United States of America (GAAP) to those non-GAAP financial measures included in this Proxy Statement. These non-GAAP measures should not be considered in isolation or as a substitute for the most comparable GAAP measures.

Adjusted EBIT

EBIT is an acronym for Earnings Before Interest and Taxes and is a non-GAAP financial measure. The most directly comparable GAAP measure is net income. However, we believe that EBIT is widely used as a measure of operating performance and we believe EBIT to be an important indicator of the Company's operational strength and performance. Nevertheless, the measure should not be considered in isolation or as a substitute for operating income, cash flows from operating activities or any other measure for determining operating performance or cash generation that is calculated in accordance with GAAP. Additionally, Kennametal will adjust EBIT for net income attributable to noncontrolling interests, interest income and special items. Management uses this information in reviewing operating performance and in determining compensation.

Adjusted Return on Invested Capital

Adjusted Return on Invested Capital (ROIC) is a non-GAAP financial measure and is defined by the Company as the previous twelve months net income, adjusted for interest expense, noncontrolling interest expense and special items, divided by the sum of the previous 5 quarters average balances of debt and total equity, excluding the impact of acquisition. The most directly comparable GAAP measure is return on invested capital calculated utilizing GAAP net income. Management believes that this financial measure provides additional insight into the underlying capital structure and performance of the Company. Management utilizes this non-GAAP measure in determining compensation and assessing the operations of the Company.

RECONCILIATIONS (UNAUDITED)**ADJUSTED EBIT (Unaudited)**

Year ended June 30 (in thousands, except percents)	2012	2011
Net income (loss) attributable to Kennametal, as reported	\$ 307,230	\$ 229,727
Net income (loss) attributable to Kennametal as a percent of sales	11.2%	9.6%
Add back:		
Interest expense	27,215	22,760
Tax expense (benefit)	79,136	63,856
EBIT	413,581	316,343
Additional adjustments:		
Noncontrolling interest expense	3,603	2,550
Interest income	(3,022)	(2,665)
Special Items:		
Acquisition operating income impact	5,463	
Other expense related to acquisition	457	
Restructuring and related charges		21,499
Adjusted EBIT	\$ 420,082	\$ 337,727
Sales, as reported	\$ 2,736,246	
Stellite sales	(90,096)	
Adjusted sales	\$ 2,646,150	

Adjusted EBIT as a percent of sales

15.9%

14.1%

A-1

Table of Contents**RETURN ON INVESTED CAPITAL (UNAUDITED)**

June 30, 2012 (in thousands, except percents)

Invested Capital	6/30/2012	3/31/2012	12/31/2011	9/30/2011	6/30/2011	Average
Debt	\$ 565,745	\$ 640,871	\$ 307,938	\$ 312,721	\$ 312,882	\$ 428,031
Less acquisition debt	(10,319)	(7,924)				(3,649)
Total equity	1,668,221	1,745,699	1,630,174	1,588,745	1,658,641	1,658,296
Less acquisition equity	(5,818)	(5,308)				(2,225)
Total	\$ 2,217,829	\$ 2,373,338	\$ 1,938,112	\$ 1,901,466	\$ 1,971,523	\$ 2,080,453

Interest Expense	Three Months Ended				Total
	6/30/2012	3/31/2012	12/31/2011	9/30/2011	
Interest expense	\$ 8,469	\$ 8,003	\$ 5,256	\$ 5,487	\$ 27,215
Income tax benefit					5,525
Total interest expense, net of tax					\$ 21,690

Total Income	6/30/2012	3/31/2012	12/31/2011	9/30/2011	Total
Net income attributable to Kennametal, as reported	\$ 86,048	\$ 75,499	\$ 73,697	\$ 71,986	\$ 307,230
Acquisition impact	1,809	4,448			6,257
Noncontrolling interest related to acquisition	604	200			804
Noncontrolling interest	(100)	538	774	1,587	2,799
Total income, adjusted	\$ 88,361	\$ 80,685	\$ 74,471	\$ 73,573	\$ 317,090

Total interest expense, net of tax 21,690

	\$ 338,780
Average invested capital	\$ 2,080,453

Adjusted Return on Invested Capital 16.3%**Return on invested capital calculated utilizing net income, as reported is as follows:**

Net income attributable to Kennametal, as reported	\$ 307,230
Total interest expense, net of tax	21,690

	\$ 328,920
Average invested capital	\$ 2,080,453

Return on Invested Capital 15.8%

Table of Contents**RETURN ON INVESTED CAPITAL (UNAUDITED)**

June 30, 2011 (in thousands, except percents)

Invested Capital	6/30/2011	3/31/2011	12/31/2010	9/30/2010	6/30/2010	Average
Debt	\$ 312,882	\$ 316,843	\$ 316,379	\$ 318,819	\$ 337,668	\$ 320,518
Total equity	1,658,641	1,562,387	1,476,427	1,437,616	1,333,443	\$ 1,493,703
Total	\$ 1,971,523	\$ 1,879,230	\$ 1,792,806	\$ 1,756,435	\$ 1,671,111	\$ 1,814,221

Interest Expense	Three Months Ended				Total
	6/30/2011	3/31/2011	12/31/2010	9/30/2010	
Interest expense	\$ 5,466	\$ 5,767	\$ 5,564	\$ 5,963	\$ 22,760
Income tax benefit					4,757
Total interest expense, net of tax					\$ 18,003

Total Income	6/30/2011	3/31/2011	12/31/2010	9/30/2010	Total
Net income attributable to Kennametal, as reported	\$ 86,655	\$ 64,683	\$ 43,469	\$ 34,920	\$ 229,727
Restructuring and related charges	5,588	4,379	4,366	3,751	18,084
Noncontrolling interest expense	174	520	821	1,035	2,550
Total income, adjusted	\$ 92,417	\$ 69,582	\$ 48,656	\$ 39,706	\$ 250,361

Total interest expense, net of tax					18,003
					\$ 268,364
Average invested capital					\$ 1,814,221

Adjusted Return on Invested Capital **14.8%****Return on invested capital calculated utilizing net income, as reported is as follows:**

Net loss attributable to Kennametal, as reported	\$ 229,727
Total interest expense, net of tax	18,003
	\$ 247,730
Average invested capital	\$ 1,814,221

Return on Invested Capital **13.7%**

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YOUR VOTE IS IMPORTANT. PLEASE VOTE TODAY.

We encourage you to take advantage of Internet or telephone voting.

Both are available 24 hours a day, 7 days a week.

Internet and telephone voting is available through 11:59 PM Eastern Time the day prior to the shareowner meeting date.

INTERNET

<http://www.proxyvoting.com/kmt>

Kennametal Inc.

Use the Internet to vote your proxy. Have your proxy card in hand when you access the web site.

OR

TELEPHONE

1-866-540-5760

Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call.

If you vote your proxy by Internet or by telephone, you do NOT need to mail back your proxy card.

To vote by mail, mark, sign and date your proxy card and return it in the enclosed postage-paid envelope.

Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed

or Comments
SEE REVERSE

NOTE: Please sign as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian. Please give full title as such.

Signature

Signature

Date

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You can now access your Kennametal Inc. account online.

Access your Kennametal Inc. account online via the Investor ServiceDirect (ISD).

The transfer agent for Kennametal Inc., now makes it easy and convenient to get current information on your shareholder account.

View account status	View payment history for dividends
View certificate history	Make address changes
View book-entry information	Obtain a duplicate 1099 tax form

Visit us on the web at <http://www.cpushareownerservices.com/>

For Technical Assistance Call 1-877-978-7778 between 9am-7pm

Monday-Friday Eastern Time

The Investor ServiceDirect Website
Available 24 hours per day, 7 days per week
TOLL FREE NUMBER: 1-800-370-1163

Choose **MLinkSM** for fast, easy and secure 24/7 online access to your future proxy materials, investment plan statements, tax documents and more. Simply log on to **Investor ServiceDirect[®]** at <http://www.cpushareownerservices.com/> where step-by-step instructions will prompt you through enrollment.

Important notice regarding the Internet availability of proxy materials for the Annual Meeting of Shareowners. The Proxy Statement and the 2012 Annual Report to Shareowners are available at:
<http://shareowner.mobular.net/shareowner/kmt>

q FOLD AND DETACH HERE q

PROXY

KENNAMETAL INC.

PROXY

2012 MEETING OF SHAREOWNERS OCTOBER 23, 2012

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS OF THE CORPORATION

You, the undersigned shareowner, appoint each of Carlos M. Cardoso, William R. Newlin and Larry D. Yost your attorney and proxy, with full power of substitution, on your behalf and with all powers that you would possess if personally present (including the power to vote cumulatively in the election of directors as explained in the proxy statement), to vote all shares of Kennametal Inc. capital stock that you would be entitled to vote at the Annual Meeting of Shareowners of Kennametal Inc. to be held at the Quentin C. McKenna Technology Center, located at 1600 Technology Way (on Route 981 South), Latrobe, Unity Township, Pennsylvania, on Tuesday, October 23, 2012 at 2:00 p.m. (Eastern Time), and at any adjournments thereof. The shares represented by this proxy shall be voted as instructed by you. If you do not otherwise specify, your shares (other than shares held in your Kennametal Inc. 401(k) account, which will be voted by the plan trustee based on your instructions) will be voted in accordance with the recommendations of the Board of Directors, as follows:

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THE BOARD RECOMMENDS A VOTE FOR THE ELECTION OF THE NOMINEES LISTED IN ITEM I, FOR THE RATIFICATION OF THE SELECTION OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM IN ITEM II AND FOR THE ADVISORY VOTE ON EXECUTIVE COMPENSATION IN ITEM III

If you have shares of Kennametal Inc. capital stock in your Kennametal Inc. 401(k) account, you must provide voting instructions to the plan trustee with this proxy or by internet or telephone no later than Thursday, October 18, 2012 in order for such shares to be voted. Your voting instructions will be held in confidence.

**Address Change/Comments
(Mark the
corresponding box on the reverse side)**

SHAREOWNER SERVICES
P.O. BOX 3550
SOUTH HACKENSACK, NJ 07606-9250

WO#

(Continued and to be marked, dated and signed, on the other side)

28452