

The background of the entire page is a complex, abstract pattern of overlapping, semi-transparent green lines and shapes. The lines vary in thickness and orientation, creating a dense, web-like structure that resembles a stylized forest or a network. The colors range from a bright, lime green to a deep, dark forest green, with the pattern becoming more intricate and darker towards the left side of the page.

KĀDANT

2021
CORPORATE
SUSTAINABILITY
REPORT



CONTENTS

| | | | | | |
|----------|------------------------------------|-----------|-----------------------------------|-----------|-------------------------|
| 3 | A MESSAGE FROM THE CEO | 10 | FINANCIAL PERFORMANCE | 25 | ENVIRONMENTAL FOOTPRINT |
| 4 | ABOUT KADANT | 12 | HOW WE THINK ABOUT SUSTAINABILITY | 32 | GRI CONTENT INDEX |
| 5 | OUR 2022 ESG GOALS | 14 | STAKEHOLDER ENGAGEMENT | 38 | MANAGEMENT APPROACHES |
| 6 | GOVERNANCE, ETHICS, AND COMPLIANCE | 15 | OUR PEOPLE | 41 | UNGC INDEX |
| 9 | SUPPLY CHAIN SUSTAINABILITY | 23 | INNOVATION | 42 | SASB INDEX |

Safe Harbor Statement: The following constitutes a “Safe Harbor” statement under the Private Securities Litigation Reform Act of 1995: This report contains forward-looking statements that involve a number of risks and uncertainties, including forward-looking statements about our future financial and operating performance, demand for our products, and economic and industry outlook. These forward-looking statements represent our expectations as of the date of this report. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise. These forward-looking statements are subject to known and unknown risks and uncertainties that may cause our actual results to differ materially from these forward-looking statements as a result of various important factors, including those set forth under the heading “Risk Factors” in Kadant’s annual report on Form 10-K for the fiscal year ended January 1, 2022 and subsequent filings with the Securities and Exchange Commission. These include risks and uncertainties relating to adverse changes in global and local economic conditions; the variability and difficulty in accurately predicting revenues from large capital equipment and systems projects; health epidemics; our acquisition strategy; levels of residential construction activity; reductions by our wood processing customers of their capital spending or production of oriented strand board; changes to the global timber supply; development and use of digital media; cyclical economic conditions affecting the global mining industry; demand for coal, including economic and environmental risks associated with coal; failure of our information systems or breaches of data security and cybertheft; implementation of our internal growth strategy; supply chain constraints, inflationary pressure, price increases or shortages of raw materials; competition; changes in our tax provision or exposure to additional tax liabilities; our ability to successfully manage our manufacturing operations; disruption in production; future restructurings; loss of key personnel and effective succession planning; protection of intellectual property; climate change; adequacy of our insurance coverage; global operations; policies of the Chinese government; the variability and uncertainties in sales of capital equipment in China; currency fluctuations; economic conditions and regulatory changes caused by the United Kingdom’s exit from the European Union; changes to government regulations and policies around the world; compliance with government regulations and policies and compliance with laws; environmental laws and regulations; environmental, health and safety laws and regulations impacting the mining industry; our debt obligations; restrictions in our credit agreement and note purchase agreement; substitution of an alternative index for LIBOR; soundness of financial institutions; fluctuations in our share price; and anti-takeover provisions.

A Message from the CEO

For decades, Kadant has provided technologies and solutions that enable Sustainable Industrial Processing—helping our customers advance toward net-zero, resource-efficient manufacturing.

Sustainable Industrial Processing at its core is about doing more with less. At Kadant, this begins with our people and the collaborative culture we strive to cultivate throughout our organization. Our decentralized structure, where decision-making is done at the local level, attracts entrepreneurial people and leads to a greater focus on our customers and how to best serve our customers' needs.

Throughout 2021, we made significant progress in helping our customers advance their sustainability initiatives with product innovations and engineered solutions that reduce waste or generate more yield with fewer inputs, particularly fiber, energy, and water. We also made progress on advancing our internal initiatives, accelerating the pace of sustainable practices at our manufacturing sites and increasing our efforts around governance and people development. The following are some of our key achievements throughout the year:

- + Achieved net-zero Scope 2 emissions through sourcing renewable energy and the use of renewable energy credits and as a result reduced our global GHG footprint by 30 percent.
- + Signed the United Nations Global Compact to reinforce our commitment to the Ten Principles in the areas of human rights, labor, environment, and anti-corruption.
- + Launched numerous workforce development and apprenticeship programs to attract and develop underrepresented populations in industry.

- + Selected as a winner of the 2021 SEAL Business Sustainability Award in the environmental initiative category and named by Newsweek magazine as one of America's Most Responsible Companies for the second consecutive year.



I am proud of the results we delivered and the progress we made related to our corporate sustainability initiatives. Yet there is still much work to be done as we collectively transition to a low carbon economy.

Our customer-focused innovation allows us to create products, technologies, and solutions to promote Sustainable Industrial Processing.

It's no longer enough to design and responsibly manufacture a quality product. We must continue to strengthen our focus on helping our customers to accelerate their own sustainability initiatives as we work to positively impact the use and preservation of our earth's natural resources. And we intend to meet this challenge head-on through a relentless pursuit of innovation built on our people's expertise, creativity, and engagement.

In this sustainability report, we highlight the ESG topics that are most important to our stakeholders and our key sustainability metrics. We also included updates to our GRI and SASB indexes.

Thank you for your interest in Kadant's sustainability story.

A handwritten signature in black ink, appearing to read "Jeffrey L. Powell".

Jeffrey L. Powell
President and Chief Executive Officer



Sustainable
Industrial
Processing
at its core
is about
doing more
with less.



About Kadant

Kadant is a global supplier of technologies and engineered systems that drive **Sustainable Industrial Processing**. Our products and services play an integral role in enhancing efficiency, optimizing energy utilization, and maximizing productivity in process industries while helping our customers advance their sustainability initiatives. Kadant is based in Westford, Massachusetts, with approximately 2,900 employees in 20 countries worldwide. Our success is attributable to our overarching business strategy which centers around innovation, automation, and sustainability.



SUSTAINABILITY SPOTLIGHT

Reducing Environmental Impacts With Use of Wood Pellets as an Alternative to Natural Gas or Propane

Kadant equipment has played an important role in the shift toward increased use of wood pellets as an environmentally friendly alternative to natural gas or propane for heating needs. Wood fired pellets are extremely efficient when compared to natural gas due to their low moisture content and highly compressed biomass. As a by-product of various wood processing activities in sawmills and engineered wood production, wood pellets play an integral role in minimizing residual waste and can result in up to 77% lower life cycle emissions footprint than natural gas.

INNOVATION

We innovate to exceed customer expectations and advance the industry.

A hallmark of Kadant innovation processes is creating products that have long life cycles and drive efficiencies for our customers. Our innovation strategy is inextricably linked with our efforts to make our operations and our customers' operations more sustainable. Read more about our innovation shared values [here](#).

AUTOMATION

We leverage automation to create safe, effective, and productive operations.

In today's increasingly connected world, we believe building a data-driven culture with automation is key to our successful evolution as a business. Our customers will be able to do just that by using our newly launched illumen.X digital platform. Illumen.X is a comprehensive framework for industrial digitalization that combines products, data, and analytics to enhance plant safety and productivity, improve efficiencies, and optimize operational performance.

SUSTAINABILITY

All our business activities are influenced by our commitment to sustainability.

Our focus lies with investing in our people and communities, managing the efficiencies of our products and our internal manufacturing processes, and facilitating the productive and efficient use of renewable resources and materials through our Sustainable Industrial Processing initiatives.

Our 2022 ESG Goals

Demonstrating our commitment to continuous improvement in sustainability, we have set these goals for the year:



ENERGY

In 2022, we will continue to source 100% of our electricity from renewable sources through the purchase of renewable energy certificates for all our non-renewable electricity usage. Additionally, as part of our ESG goals for 2022, we will conduct feasibility studies for various onsite renewable energy generation options.



CLIMATE AND GREENHOUSE GAS GOALS

As part of our ongoing commitment to accurately track and reduce our carbon footprint, we have set a number of climate emissions reduction goals for 2022. In 2022, we will quantify the relevant categories of our Scope 3 emissions, perform our first climate-related risk assessment, which will include scenario analysis, and we will issue our first TCFD-compliant report.



SUPPLIERS

In 2021, we completed our first global supply chain audit by successfully screening 80% of our supply chain spending for ESG-related risk. In 2022, we will act on this information by engaging with our top suppliers that were assessed as high risk from an ESG perspective regarding their plans and processes for moving towards a more sustainable business model.

SAFEGUARDING OUR VALUES THROUGH

Governance, Ethics, and Compliance

We are committed to strong corporate governance practices that ensure Kadant is managed for the long-term benefit of all our stakeholders.

We remain steadfast in upholding our values of integrity, safety, continuous learning, people development, customer focus, collaboration, and ethical conduct and fair dealing with our employees, customers, suppliers, and investors. These values are fundamental to our ability to create long-term value.

Board Composition and Evaluation

Our Corporate Governance Guidelines require that the majority of the Board be comprised of independent directors, and four of our six directors currently meet that qualification. The Board has a policy that the offices of Chairman of the Board and the company's Chief Executive Officer should be separate and that each member of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee be an "independent director"

as defined by the rules of the Securities and Exchange Commission and the New York Stock Exchange. The Nominating and Corporate Governance Committee oversees an annual self-evaluation of the Board to determine whether it and its committees are functioning effectively.

The Board and its four standing committees—Audit, Compensation, Nominating and Corporate Governance, and Risk Oversight and Sustainability—meet throughout the year and engage with management to ensure that governance best practices are reflected in our ongoing operations and strategy.



2021 HIGHLIGHTS

- + Introduced an online compliance training platform, which allows managers at each Kadant location to assign and track short, interactive training videos on topics ranging from sexual harassment and diversity and inclusion to anti-corruption
- + Our Risk Oversight and Sustainability Committee met throughout the year to discuss and manage risks related to climate change, cybersecurity and other ESG issues

Risk Management

Our executive leadership team is responsible for the day-to-day management of the risks that our company faces, while the Board, acting as a whole and through its committees, has responsibility for the oversight of risk management.

The Board's Risk Oversight and Sustainability Committee assists the Board in fulfilling its responsibilities regarding the identification, evaluation, management, and monitoring of our company's critical enterprise risks, including major strategic, operational, reputational, and sustainability-related risks inherent in our business. The Board and the Audit Committee regularly discuss with management and our independent auditors our major risk exposures, their potential financial impact on our company, and the steps we take to manage these risks, including those related to climate change, cybersecurity and other ESG issues.



Policies and Guidelines

Our company's Code of Business Conduct and Ethics applies to all our employees, officers, and directors. Employees are encouraged to utilize our Ethics and Compliance Hotline if they have any concerns regarding fraud or misconduct in the areas of accounting, internal accounting controls and financial reporting, questionable accounting or auditing matters, bribery or other criminal activity, or insider trading. We do not discipline, discriminate, or retaliate against any employee who reports a concern, or who cooperates in any investigation or inquiry regarding such report, in good faith.



Our management annually reviews and certifies compliance with the Code of Business Conduct and Ethics, the Global Export Control Policy, as well as the Insider Trading Policy, Anti-Harassment Policy, and Foreign Corrupt Practices Act Policy.

We require that all employees read and agree to abide by the Code of Business Conduct and Ethics, seek guidance from supervisors and geographic level business management, and report concerns if they witness unethical or illegal conduct. Our Ethics and Compliance Hotline enables anonymous reporting directly to the most senior levels of management.

Kadant's Human Rights and Environmental, Health, and Safety policies formalize our approach to protecting the human rights, environment, health and safety of our employees, customers, and the communities where we operate.





Training

Kadant performs regular training on key policies and procedures and in conjunction with key events and acquisitions. As part of our commitment to continually improving training on ethics and compliance, this year we introduced a new online compliance training platform. The training platform will allow each Kadant division to assign and track short, interactive training videos to managers and employees on a range of topics, including diversity and inclusion, unconscious bias and sexual harassment. During the platform's first year, we will require management at each location to watch and complete an interactive training on Kadant's Code of Business Conduct and Ethics.

We will continue to look for ways to improve and further develop our capabilities and anticipate using the platform to conduct training on topics such as anti-corruption, insider trading, and export controls compliance.



Once fully implemented, all future annual compliance certifications of Kadant's Corporate Policies will be conducted online through the online compliance training platform.



Supply Chain Sustainability

We recognize our responsibility to promote and encourage ethical business throughout our value chain.

Our Global Supplier Code of Conduct outlines the responsibilities which are expected to be adhered to by all our suppliers and subcontractors. The Global Supplier Code of Conduct is communicated to both employees and suppliers involved in the procurement and supply of products and services to Kadant.

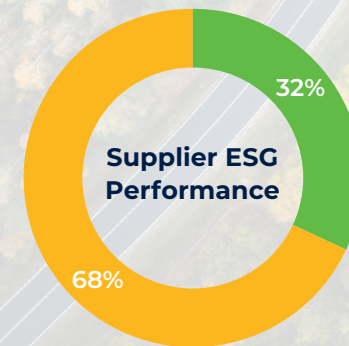
In 2021, we conducted a detailed risk assessment of more than 300 suppliers representing 80% of our supply chain spend to gain insight into their ESG performance and disclosures. As part of this risk assessment, we evaluated our suppliers on the following:

- + Formal sustainability or environmental policy
- + Human rights policy
- + Supply chain code of conduct / sustainability program
- + Public sustainability report
- + Environmental Management System
- + Sustainability goals
- + Quantification of environmental impacts
- + Membership in sustainability groups like UNGC
- + MSCI Rating

In addition to this corporate process, each division manages its own suppliers through targeted audits and feedback processes which includes sending the Global Supplier Code of Conduct to every supplier for acknowledgment.



In 2021, we conducted a detailed risk assessment of more than 300 suppliers representing 80% of our supply chain spend.



- 32% of these suppliers demonstrated basic or advanced ESG performance and management.
- 68% were assessed to be substandard and will be our focus for improving sustainability within our supply chain.



LOOKING FORWARD

In 2022, we will follow up with our top suppliers whose performance did not meet our expectations and identify ways we can help them improve from a sustainability standpoint.

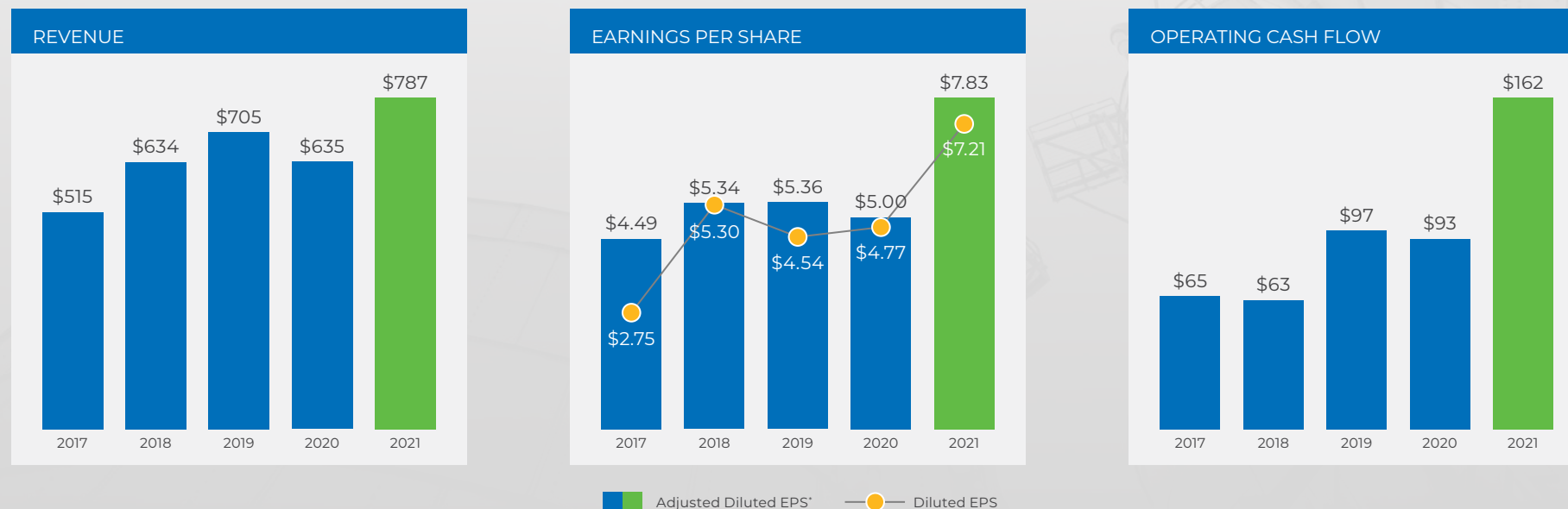
Financial Performance

2021 was a record-setting year for us, thanks to solid execution by our businesses. Despite supply chain issues, labor shortages, and raw materials inflation, our strong focus on operational excellence and our decentralized business structure have proven valuable in our ability to serve our customers and become a more resilient business. Our global team performed exceptionally well under challenging circumstances, and they deserve a lot of credit for the results we achieved in 2021.

For fiscal year 2021, our diluted EPS increased 51 percent to \$7.21 and our adjusted diluted EPS* increased 57 percent to \$7.83. Revenue in 2021 increased 24 percent to \$787 million and operating cash flow increased 75 percent to \$162 million. Our record backlog at the end of 2021 positions us well for strong financial performance in 2022. We will continue to transparently disclose and communicate our financial performance to our stakeholders.

Financial Highlights

(In millions, except per share amounts)



*Adjusted diluted EPS (adjusted diluted earnings per share) is a non-GAAP financial measure that excludes certain items. A reconciliation of this financial measure to the most directly comparable GAAP number follows.

Additional financial data for fiscal year 2021 can be found in our [Annual Report](#).

Adjusted Diluted EPS* Reconciliation

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|---------|---------|---------|---------|---------|
| Diluted EPS, as reported | \$ 2.75 | \$ 5.30 | \$ 4.54 | \$ 4.77 | \$ 7.21 |
| Benefit Plan Settlement and Curtailment Losses, net of tax | – | 0.09 | 0.55 | – | – |
| Impairment and Other Costs, net of tax | 0.01 | 0.11 | 0.17 | 0.19 | 0.05 |
| Acquisition Costs, net of tax | 0.39 | 0.10 | 0.06 | 0.03 | 0.26 |
| Amortization of Acquired Profit in Inventory and Backlog, net of tax | 0.43 | 0.02 | 0.32 | 0.04 | 0.34 |
| Discrete Tax Items | 0.90 | (0.29) | (0.29) | (0.03) | (0.04) |
| Adjusted Diluted EPS* | \$ 4.49 | \$ 5.34 | \$ 5.36 | \$ 5.00 | \$ 7.83 |

*Non-GAAP financial measure. In addition to the financial measures prepared in accordance with generally accepted accounting principles (GAAP), we use certain non-GAAP financial measures, including adjusted diluted EPS. We believe this non-GAAP financial measure, when taken together with the corresponding GAAP financial measure, provides meaningful supplemental information regarding our performance by excluding certain items that may not be indicative of our core business, operating results, or future outlook. We believe that the inclusion of such measure helps investors gain an understanding of our underlying operating performance and future prospects, consistent with how management measures and forecasts our performance, especially when comparing such results to previous periods or forecasts and to the performance of our competitors. Such measure is also used by us in our financial and operating decision-making and for compensation purposes. We also believe this information is responsive to investors' requests and gives them an additional measure of our performance. The non-GAAP financial measure included in this report is not meant to be considered superior to or a substitute for the results of operations prepared in accordance with GAAP. In addition, the non-GAAP financial measure included in this report has limitations associated with its use as compared to the most directly comparable GAAP measure, in that it may be different from, and therefore not comparable to, a similar measure used by other companies.

How We Think About Sustainability

Since Kadant's inception, sustainability has been integral to the success of our products, the efficiency of our business practices, and our meaningful stakeholder engagement.

Our products are designed to reduce waste, use resources more efficiently, and allow our customers to create more value with fewer inputs, and we continue to evolve their design to make them more efficient and effective. We strive to be leaders in our industry through continuous improvement of our business practices and continued collaboration with our stakeholders with a vision of creating a better tomorrow.



KEY METRICS

EMPLOYEE
COUNT

~2,900

TOTAL RECORDABLE
INCIDENT RATE

3.03

ELECTRICITY USAGE SOURCED
FROM RENEWABLES

100%

MANUFACTURING
LOCATIONS

20

SUPPLIERS SCREENED FOR
ESG PERFORMANCE

>300

TONS OF WASTE
REUSED

~400

Material Topics

In 2019, Kadant, in consultation with independent advisors, identified the ESG topics that were most important to both our internal (employees, current investors, and customers) and external stakeholders (customers, potential investors, and communities).

During 2021, we reassessed and confirmed our list of material topics, which is as follows:

CORPORATE

- + Financial Performance
- + Governance
- + Ethics and Compliance
- + Supply Chain Sustainability

INNOVATION

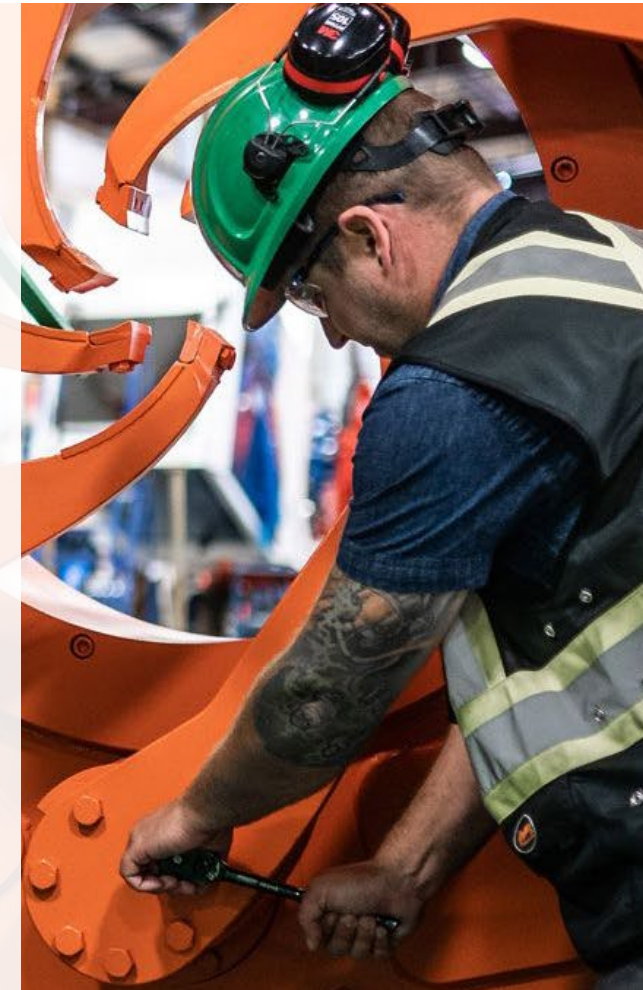
- + Research and Development
- + Delivering Value to Customers

EMPLOYEES

- + Health, Safety, and Wellness
- + Learning and Development
- + Equal Opportunity and Non-Discrimination

ENVIRONMENT

- + Energy, Emissions, and Climate Change
- + Effluents, Waste, and Recycling
- + Materials Used
- + Environmental Compliance



Stakeholder Engagement

Ongoing engagement with various stakeholder groups is essential to advance our management of and progress on sustainability. We engage with investors, customers, employees, and local communities to understand the issues that are important to them and how Kadant can impact them positively. Each of our stakeholders has unique needs that we seek to fulfill through our products, processes, business solutions, financial metrics, and employee and community engagement programs.



Employees

Our employees are essential to the success of Kadant. As such, their engagement and collaboration are an important part in shaping our organization. Avenues for employees to engage include job rotation and cross-training, multi-rater feedback surveys, leadership development programs, annual performance reviews, and career development programs.

KAI Investors

Our stockholders are supportive of Kadant continuing to grow in a sustainable and responsible manner. To maintain these valuable relationships, we directly interact with investors to understand their perspectives on ESG issues. We interact through a variety of means, including individual meetings with shareholders, hosting "Investor Days" at financial and industry conferences, and meeting with investment firms.



Customers

Close collaboration with our customers is critical to developing new, innovative solutions and products that meet the changing demands of a competitive market. By partnering with our customers, we meet their requirements for improving product efficiency and reducing their environmental footprint.



Local communities

We are committed to bettering the communities where our employees live and work. Our businesses engage with their local communities by funding academic positions and scholarships, engaging with both local governmental and non-governmental organizations, hosting charitable events, and volunteering.



Industry groups

By taking leadership roles in industry groups and participating in global organizations, we are able to express the interests of our stakeholders while gathering new insights to share with them.



SUSTAINABILITY SPOTLIGHT

Advancing the Production of Renewable Energy for Our Customers

Kadant's innovative solar swivel joint is designed to play an important part in helping concentrated solar power plants' solar fields become more productive and reliable by eliminating off-gassing and thermal oil leaks in the piping system. Using an innovative seal design, Kadant's solar swivel facilitates the reliable capture of the sun's thermal energy as parabolic mirrors track the movement of the sun throughout the day. The solar swivel joint system operates with 50% less torque, meaning less energy is used to operate the solar field, minimizes the potential for heat transfer fluid leakage, and has an extended operating lifetime compared to conventional swivel joints.



2021 HIGHLIGHTS

- + Prompt and effective COVID-19 measures protected our employees
- + Continued to develop a diverse manufacturing workforce
- + Expanded training and development opportunities for our employees

INVESTING IN

Our People

Our employees are the key to the success of our operations, so their health, well-being, and development are a top priority for us.

Kadant is a recognized safety leader with robust health and safety programs that advance a safe work environment and help prevent workplace injuries. We strive to create a diverse and inclusive workforce where all our employees feel welcome and know their perspectives are valued. We are dedicated to improving our employees' skills to address Kadant's needs while propelling their careers forward at Kadant.

Our Approach to Health and Safety

The safety of our employees is of the utmost importance to Kadant as our employees are the most valuable part of our operations. Our workforce includes both administrative and manufacturing roles; we focus our safety initiatives primarily on the manufacturing floor due to the inherently heightened risks that exist. In addition to addressing standard manufacturing safety issues, we have implemented additional initiatives to protect our employees from the spread of COVID-19.



SITE SAFETY INCENTIVES AND UPDATES



In 2021, our Saltillo, Mississippi location updated its safety incentives program to encourage more employee engagement in:

- + Ensuring the safety of themselves and fellow team members
- + Recognizing and correcting unsafe conditions and behaviors
- + Participating in the Health and Safety Committee

There are several ways employees can participate in the program, including:

- 1) Submitting a Safety Behavior Form** through which employees suggest what safety-related behavior they would like to share or stop.
- 2) Submitting a Hazard Recognition Card** through which employees identify potential hazards they notice in the workplace. If an employee's solution is implemented, they win a prize. If the idea isn't implemented, then the employee's name will be included in a quarterly prize drawing.
- 3) The Safety Committee meets monthly and reviews the Hazard Recognition Card submissions** to determine which ideas can be implemented. If an idea is not implemented, the Safety Committee spokesperson explains to employees why the suggestion is not suitable for implementation.

To promote engagement on safety from the top down, all supervisors and managers in operations have a required minimum goal for suggestions that must be met each month.





Kadant's Commitment to Safety Training

Our culture of safety begins with training employees on best practices and safety measures. Training is one of the main ways we continue to maintain and improve our low incident rates, including new hire safety training, annual refresher training, and on-the-job training. By training our employees on Kadant safety standards the moment they join our team, we underscore the importance of safety to our culture and better position ourselves to achieve the highest safety standards.

Each Kadant facility manages safety in the context of its industry-specific risks, while Kadant corporate provides senior leaders with guidance on best practices and areas for improvement. In addition to site safety training, employees attend safety workshops and receive job specific training throughout the year.



In 2021, our Kadant US operations achieved an Experience Modification Rating Score of 0.92, indicating **lower than industry average Workers Compensation claims.**



Safety Metrics

We know that safety data is the strongest indicator of a successful health and safety program. In 2021, we had no fatalities, and we had a recordable injury rate of 3.03 and lost time injury rate of 0.13 across six continents and 20 manufacturing locations. Our recordable injury rate is 9% lower than it was in 2020. When an incident does occur at one of our locations, our safety teams investigate the incident and take corrective actions to ensure a similar incident does not reoccur.

In 2021, we saw a **9% reduction in recordable injuries across our global operations as compared to 2020.**



Caring for Our Employees

Our commitment to the health and safety of our employees extends beyond our best-in-class safety programs and initiatives. Our Wuxi, China site arranges for all employees to receive a medical physical examination at the hospital annually to ensure that they have access to timely care. We are proud to support our employees in leading healthy, fulfilling lives beyond their work at Kadant.

From 2019 to 2021, our location in Three Rivers, Michigan **operated without a single lost-time injury for 857 days.**



Our Response to COVID-19

Kadant, as an essential infrastructure company, continued to operate throughout the pandemic to serve our customers who produced life-sustaining goods essential during the pandemic. Our top priority was and always will be to provide a safe work environment for our employees and then adapt our operations to best meet customer needs. We are forever grateful to our committed and resilient workforce of approximately 2,900 employees who continued to perform during these challenging circumstances.

Our manufacturing facilities were able to continue operating due to the implementation of enhanced safety protocols designed to safeguard our workplace and our employees' health and safety. These measures succeeded thanks to our employees' ability to adapt. Without this, we would not have been able to continue meeting demand.

In 2021, we continued to implement a variety of safety mechanisms and programs to limit the risk of COVID-19 transmission among our employees. For example, our Bury, United Kingdom (UK) location conducted a COVID-19 risk assessment and implemented precautions which included social distancing, cleaning procedures, and communication within the organization. To assess whether the location was following necessary precautions, the UK health and safety executive team conducted unannounced COVID-19 spot checks. Similar COVID-19 precautions were undertaken at all other locations.

Our divisions reacted quickly to the ever-changing COVID-19 environment, including swiftly implementing ways to promote access to vaccines when they became available. Our Sidney, Canada location provided paid leave in early 2021 to encourage vaccinations, and our Three Rivers, Michigan location hosted on-site vaccine clinics in March, April, and December 2021 for employees.



These actions demonstrate Kadant's agility in the face of challenges.

Throughout these trying times, our facilities proved their capability to pivot and adjust to protect employees and ensure business continuity.

Fostering Inclusion and Diversity in Our Workforce

We embrace our responsibility to promote diversity and inclusion in the workforce. It is essential to have a diverse workforce to grow as a company, given the valuable background, talent, and experience each employee brings to the table. Traditionally, manufacturing has been a male-dominated space, and Kadant pays special attention to increasing diversity in our internal operations and the industry.

In 2021, we developed initiatives to increase the number of women in management positions. For example, our Weesp, Netherlands location shifted its management team composition from four men to two men and two women. Simultaneously, our facilities work to expand their employee base to include more women and underrepresented groups. In September 2021, our site in Georgsmarienhütte, Germany hired a female industrial apprentice for a 3–5 year program.

Further underlining our commitment to creating an inclusive workforce, we have developed management processes and systems that enable all our employees to be treated fairly and eliminate discrimination. Our employee handbook and Code of Business Conduct and Ethics reinforce our compliance with all applicable laws when hiring employees. Our management teams are required to foster a safe and inclusive workforce at all our locations.



DEVELOPING AN INCLUSIVE AND SKILLED WORKFORCE

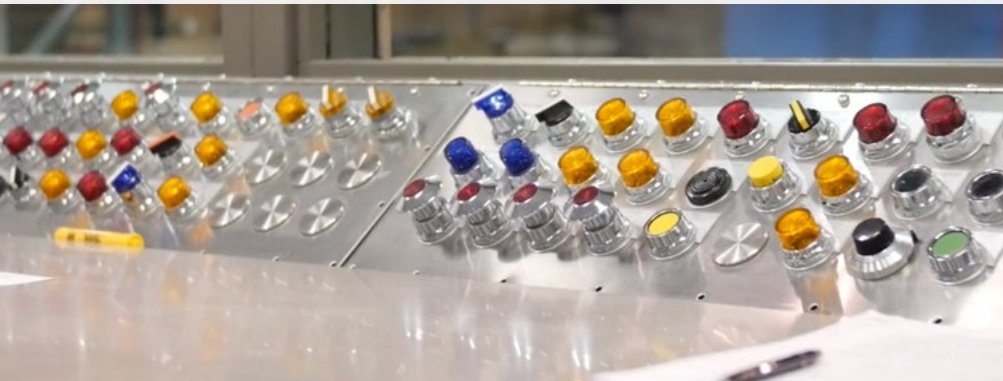
Hiring and retaining our talented employees is critical to our success as a company. With that in mind, we are acting on our commitment to develop skilled manufacturers through in-house programs such as apprenticeships. In 2021, for example, our Auburn, Massachusetts site teamed up with a local vocational school to offer apprenticeships to their students. Through apprenticeships, we are looking to develop a more inclusive workforce by offering opportunities to underrepresented populations in the industry, particularly women. This site also recently hired a female apprentice who went on to join the ranks as a welder. This is an important step for the program as it helps Kadant meet our need for skilled laborers while providing opportunities to their local community and promoting inclusion.

Developing a Diverse Future for Manufacturing

Kadant has a history of encouraging high school graduates to enroll in technical schools or pursue engineering degrees. We provide students with scholarships and positions during the summer and winter breaks, with the intent to hire the students once their schooling is complete. Our facility in Three Rivers, Michigan is enhancing its scholarship program in 2022 to encourage those with a diverse background to become machinists and technicians. This program will help Kadant establish a pipeline of qualified CNC machinists and welders while encouraging underrepresented groups to enter these fields. This program is one example of our efforts to attract the next generation of young diverse talent to the manufacturing industry.



Our facility in Three Rivers, Michigan is enhancing its scholarship program in 2022 to **encourage those with a diverse background to become machinists and technicians.**



LEBANON, OHIO LOCATION LAUNCHES EMPLOYEE EXPERIENCE TEAMS

We recognize the link between the Kadant employee experience and talent retention. In 2021, our Lebanon, Ohio location created a team dedicated to understanding and improving the employee experience. The team will facilitate the following:

- + **Interdepartmental communication to accelerate knowledge transfer**
- + **Recognition of individual contributions**
- + **Professional and career growth**

As a result of these efforts, our employee engagement exceeded national and regional benchmarking.

Kadant's Approach to Workforce Development

Workforce training and education is a way for Kadant to develop while advancing our employees' careers. By offering access to learning opportunities, we help ensure that employees remain engaged in their role while promoting further skill development to meet the needs of Kadant. For instance, while specialized machine training may benefit Kadant, general trade knowledge supports an employee in their community by creating opportunities beyond their time with Kadant.

Training and Educational Programs

Job-specific training is essential to maximizing the productivity and efficiency of our employees. Many of our divisions have programs that provide financial support for training and certifications that employees may wish to pursue. This financial support is provided to employees if the course they want to take aligns with a role at their workplace. For example, at our location in Guadalajara, Mexico, several employees attend English language courses on-site. These courses are provided by a professional institution to reinforce English-language skills for key departments such as design, information technology (IT), and sales. The training helps these employees in their roles and enhances their professional growth by adding additional language skills to their business acumen. Starting in 2022, management at our Auburn, Massachusetts site will be required to set an objective to create learning curricula for each of their departments, thus advancing their employees' growth and development.



Many of our divisions have programs that provide financial support for **training and certifications that employees may wish to pursue.**



THE POWER OF CORPORATE-COMMUNITY PARTNERSHIPS TO DEVELOP UNDERSERVED STUDENTS

During the 2021-22 academic year, we are hosting an intern at our corporate headquarter office from the local Notre Dame Cristo Rey High School. The high school offers a program which gives underserved students the opportunity to spend one 8-hour day a week at a corporation learning entry-level office skills. This program helps advance racial equity by introducing underrepresented groups into the corporate field, which they otherwise may not have considered. Our intern is gaining experience in the legal, tax, and accounting departments. In addition to leaving the internship with new skills, this program helps break down institutional barriers while strengthening these students' pathway to a bachelor's degree. As an added benefit, the time a student spends working at their internship allows them to earn the majority of their high school tuition expenses.

Sidney, Canada Location Expands Development and Training Offerings

Experiencing a tight labor market, our Sidney, Canada facility embraced the opportunity to expand training and educational programs for their employees and develop their workforce internally. The facility provides apprenticeship sponsorship for skilled trades, professional development for accountants and engineers, equipment training on cranes and forklifts, and occupational first aid certificates, and other courses. The facility's employees, who pursue skilled trade career advancement through apprenticeships, safety certifications, or in-house specialty training, are afforded financial incentives. In 2021, this facility sponsored three skilled trade apprentices and saw seven employees participate in a first aid certification course.

Academic Partnership with Community Colleges

To build our talent pipeline, we invest in developing the next generation of manufacturing talent. At our Saltillo, Mississippi location, we partner with local community colleges to employ interns in the skilled trades profession, such as maintenance tech, precision machining, robotics, welding, or design. With a grant funded by the State of Mississippi, students can attend school full-time and work up to 30 hours per week in their technical field. We currently have one student training in precision machining and another in robotics. This program allows us to train students on our machinery, and at the end of two years, we can hire a highly skilled employee.



Our employees are the foundation of Kadant's products and solutions. The health, development, and diversity of our employees are essential for Kadant to grow as an organization and retain our top talent. By investing resources into these areas, we continue to be an innovative force and expand the capabilities of our workforce.

LEADING WITH Innovation

Kadant has maintained its status as a leader in the technology and engineered systems industry due to the dual focus of our research and development (R&D) strategy.

While cost savings are one driving factor, our team also focuses on providing additional value through sustainable attributes. By paying close attention to operational efficiency, resource utilization, and energy efficiency during the product design process, our R&D team meets our customers' multiple needs. In the past year, we have piloted several new sustainability-related product features, including but not limited to the case studies below.

WHAT FINE SPRAY TECHNOLOGY MAKES POSSIBLE



Kadant's spray coating technology uses functionalized glue pulp to strengthen fiber-based packaging materials, allowing our customers to replace plastics in their products without sacrificing quality. With the growth in the fiber-based food packaging market, we believe Kadant's innovative products and technology will be able to provide stronger fiber-based sustainable packaging that can help replace the use of plastics.

M-Clean Ultra: Improving Cleaning and Reducing Water Usage

In 2021, we were excited to introduce a new addition to our M-Clean product, a family of modular cleaning systems for fabrics, belts, and rolls in process industries. The new product line, M-Clean ULTRA, has revolutionized the use of M-Clean systems by extending their use outside of the paper industry. This product line has been adopted by our customers in the roofing industry - replacing conventional cleaning methods. What distinguishes M-Clean ULTRA from traditional cleaning methods is its robotic features, which significantly reduce the water used in the cleaning process. M-Clean ULTRA also enhances the cleaning process by directing the singular nozzle to only those areas of a product that need cleaning. Thanks to its innovative features, M-Clean ULTRA uses approximately 10 times less water than conventional cleaning methods.



HIGHLIGHTS

- + Introduced a new addition to our M-Clean product, a family of modular cleaning systems for fabrics, belts, and rolls in process industries
- + Collaborated with a large packaging customer to rebuild one of its drying machines to increase efficiency
- + Developed new doctor and roll cleaning blade technologies for use in a variety of industries, leading to improved performance and greater sustainability

Operational Efficiency in Commercial Dryers

Besides developing new products, we work with our customers to evaluate the efficiency of their current systems and recommend improvements that increase output, reduce system footprint, and lead to cost savings.

For example, we recently worked with a large packaging customer to rebuild one of its drying machines to increase efficiency. Kadant conducted full-scale simulations of our customer's process to evaluate current heat transfer, drive load energy requirements, and steam usage. The results showed the impact of our solutions and expertise: we identified a 58% reduction in drive load torque power and a more uniform temperature profile which can lead to less energy required to achieve the final product specifications.



Next Generation Blade Technology

At our site in Bury, UK, our R&D team developed new doctor and roll cleaning blade technologies for use in a variety of industries, leading to improved performance and greater sustainability. Our Repel Technology blade has been used in paper mill dryer cylinders, vastly improving their operation. Replacing old blades with Repel Technology blades creates many benefits for our customers: reduced number of

occurrences of "windows" in the sheet, less rejected paper, increased production, increased machine efficiency, and cost savings associated with a longer blade usage lifespan. In addition, our patent-pending nForce blade can clean heavily contaminated dryer cylinders, with customers seeing extended blade life, reduced frequency of sheet breaks, and energy savings due to increased heat transfer.



SUSTAINABILITY SPOTLIGHT

Kadant's roll cleaning products in electric powered vehicles

The lithium-ion batteries used in electric powered vehicles are made from three key components: a cathode layer, an anode layer, and a separator film. The highly polished rolls and extreme temperatures seen in these applications require specialized roll cleaning solutions. Keeping the rolls continuously clean is critical for this manufacturing process. Kadant's roll cleaning products are a great fit for this demanding application. With our systems in place, the lithium-ion battery manufacturer can continue to run at maximum uptime, prevent damage to the rolls, and manufacture high quality batteries free of defects.



LOOKING FORWARD

As we look towards the future of manufacturing, we know that sustainability will play an ever-growing role in the design process. That is why we see increasing the sustainability of our offerings as part and parcel to enhancing their practical capabilities. We look forward to continuing to provide cutting-edge customer solutions while providing an expanding platform of sustainable products.

MANAGING OUR Environmental Footprint

We focus on the environmental footprint produced by our products and production processes, recognizing that we are in a unique position to reduce the environmental impact of the forestry, paper, and packaging industries.

To support our customers on their sustainability journeys, we continually innovate and look for ways to limit waste and energy while increasing the efficiency of our products. We encourage our customers to expand their use of renewable resources and increase their participation in the circular economy, a term used to refer to a closed loop economic system that promotes the reuse of raw materials and products as opposed to scrapping them and extracting new resources. Kadant promotes a circular economy by offering solutions that enable increased recyclability and the ability to use alternative inputs in our products which facilitates Sustainable Industrial Processing.

Beyond improving our customers' sustainability, we seek out opportunities to improve the operational footprint of our facilities, particularly as we work to combat the effects of climate change. Our divisions implement a variety of programs and capital projects to reduce energy usage and emissions. As we grow, we will continue to make as little impact on the environment as possible and offer sustainable solutions to our customers. In 2021, we were able to achieve one of our primary climate goals: sourcing 100 percent of our electricity from renewable sources worldwide or the purchase of renewable energy credits (RECs).

SUSTAINABILITY SPOTLIGHT

Wood-based Housing Trends Upward in Europe

The building sector is looking to reduce GHG emissions by replacing cement, concrete, and steel with a renewable and sustainable alternative: wood. Wood as a material of choice has been growing over the past decade in Europe. CLT, also known as mass timber, can match or exceed the performance of concrete and steel while avoiding the carbon embedded in those materials. Kadant's technologies and engineered systems are used to debark harvested logs and prepare them for further processing helping to enable the cost-effective use of wood as a renewable and sustainable building material. Our equipment plays an important role in making wood a viable solution for use in CLT and other engineered wood applications to promote the use of a more sustainable building material.



HIGHLIGHTS

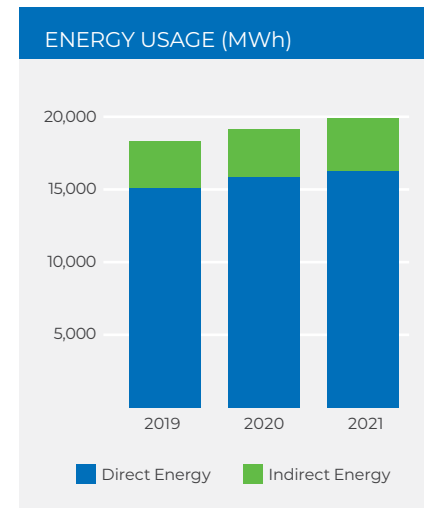
- + Sourced 100% of our sites' electricity usage from renewables
- + Increased efficiency of manufacturing processes
- + Improved recycling and waste reduction at our locations
- + Customers experienced continued and increased environmental benefits from Kadant products and services



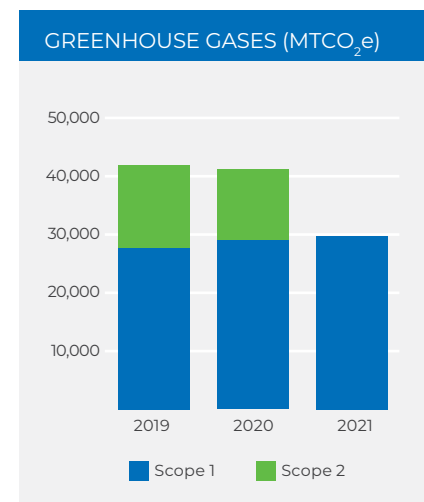
OUR PERFORMANCE

In this report, we present compiled data on our energy usage and the resulting greenhouse gas emissions. We are particularly proud of our improvements in energy efficiency in 2021. Even with our 24% increase in revenue, our energy usage only increased 4%. We look forward to presenting our progress on future reduction efforts.

| ACTIVITIES | PERFORMANCE INDICATOR | UNIT | 2019 | 2020 | 2021 | |
|--|-----------------------------|---------------------|------------|----------------|----------------|----------------|
| Energy | Electricity | MWh | 31,832 | 32,287 | 36,159 | |
| | Building or process heating | Natural gas, oil | MWh | 146,031 | 153,915 | 158,001 |
| | Building district heating | District energy | MWh | 250 | 250 | 250 |
| | Generators and forklifts | Diesel and propane | MWh | 2,088 | 1,257 | 1,274 |
| | Vehicles | Diesel and gasoline | MWh | 3,169 | 3,402 | 3,261 |
| | Total Energy Usage | | MWh | 183,370 | 191,111 | 198,945 |
| Percentage of consumed energy from the grid | | % | 17 | 17 | 18 | |



| | | | | | |
|------------|-----------------------------|---------------------|--------------------------|---------------|---------------|
| GHG | Building electricity | MTCO ₂ e | 14,177 | 12,271 | 0* |
| | Building or process heating | MTCO ₂ e | 26,452 | 27,842 | 28,597 |
| | Building district heating | MTCO ₂ e | 56 | 56 | 56 |
| | Generators and forklifts | MTCO ₂ e | 466 | 269 | 272 |
| | Vehicles | MTCO ₂ e | 769 | 865 | 835 |
| | Total GHG Emissions | | MTCO₂e | 41,919 | 41,303 |
| GHG | Direct (Scope 1) | MTCO ₂ e | 27,687 | 28,976 | 29,704 |
| | Indirect (Scope 2) | MTCO ₂ e | 14,233 | 12,327 | 56 |



*In 2021, Kadant purchased renewable energy certificates, representing electricity generated from renewable resources, covering all non-renewable electricity usage across all its businesses.



Our Green Bay, Wisconsin location **reduced natural gas usage by 2.1% per ton of product produced** versus 2020 due to our continued focus on process efficiency and favorable product mix.



Climate Change, Energy, and Emissions

Climate change is an ever-growing issue, and corporations are finding they must take action. To combat climate change, we work to lower our energy demand at our manufacturing locations and create products that will be less energy-intensive throughout their life. Our commitment led us to source 100% of our sites' electricity needs from renewables or by purchasing RECs. We are actively engaging with all levels of our organization to identify creative solutions to meaningfully reduce Scope 1 and 3 emissions in the coming years.

Reducing our Impact

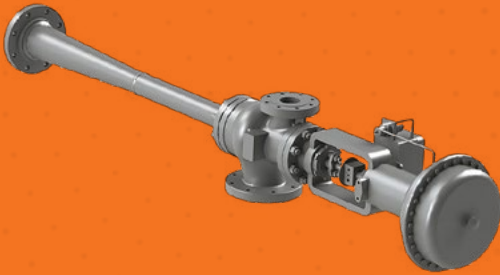
To reduce our energy and greenhouse gas (GHG) emissions, we employ a variety of approaches, from replacing lighting to large capital improvements like replacing old machining centers. Natural gas is one of the largest expenditures at our Green Bay, Wisconsin location, which it seeks to reduce through production efficiency. This helps save money while allowing for a reduction in GHGs. Additionally, our facility in Wuxi, China worked to reduce the amount of energy used at its facility. The site replaced all workshop lighting with LEDs, saving 2500 kWh of electricity over the year.

OUR PATH TO NET ZERO SCOPE 2 EMISSIONS

We achieved our 2021 goal of **100% renewable electricity across all sites and plan to do the same in 2022**. The purchase of renewable energy credits represents electricity generated from renewable sources, covering all nonrenewable electricity used at Kadant facilities and eliminating all electricity emissions for 2021. We reduced our global greenhouse gas footprint from all other sources by 30 percent compared to 2020 levels.



A customer approached the team at our facility in Wuxi, China to redesign a recycled fiber paper packaging machine. This machine was not utilizing steam energy efficiently. Our application engineer added Kadant thermocompressors, redesigning the system to use the previously produced steam heat energy by recirculating it back through the system.



These changes led to a 10% decrease in steam consumption per ton of paper produced, resulting in significant energy reduction. Projects like these, which lead to energy reduction, are essential to reducing the impact of machinery on the environment and illustrate Kadant's impact on reducing energy usage when our products are implemented correctly.



MANUFACTURING PROCESS

In our manufacturing processes, we use a large amount of metal, including, but not limited to, steel, aluminum, and other generic metals. We also use a small amount of plastic and electrical elements as necessary. Given the intrinsic recyclability of metal, we can recycle the scrap that is produced.

When we design products, we seek to reduce the quantity of materials needed to create them while ensuring durability. Our Saltillo, Mississippi location converted a product line that used internationally purchased cast products to internally stamped steel products. The change eliminated seven items that otherwise would have been purchased, ultimately eliminating 125,000 parts being purchased annually. In addition to reducing the purchase of outsourced products and moving product development in-house, the change allowed the facility to utilize on-hand capabilities and equipment more fully.

In 2021, we globally utilized >5,500 tons of steel in our products.

Kadant's Product Impact

Most of our greenhouse gas and energy impact stems from the energy needed to operate the equipment and products that we manufacture. We produce a wide variety of equipment and technology, with countless applications that require varying amounts of energy. As we manufacture our products, we do so with efficiency in mind, optimizing product design to increase operational effectiveness and conserve natural resources. Once our products are installed at customers' facilities, our engineers service those customers to ensure they effectively utilize our products. Our commitment is to produce the most environmentally-friendly products while not compromising production – enabling customers to meet their sustainability goals while reducing Kadant's impact on the environment.

Creating Customer Resource Savings Through Product Design

Product efficiency is crucial to enabling our customers to maximize resource usage. Reducing material use is especially important in the paper and forestry industry, given the value of the natural resources used by these industries. Our products play a major role in processing paper for recycling - an invaluable element of the circular economy.

As a manufacturer, we prioritize **reducing waste streams during both production and product use.**



GREEN BAY, WISCONSIN SITE INCREASES SLUDGE DIVERSION

In 2021, our Green Bay, Wisconsin location was able to **divert from landfill approximately 175,000 tons of paper sludge from our customers' paper production processes** by turning it into biodegradable products such as absorbent granules.



In 2021, Kadant globally withdrew **~120 megaliters of water**

Kadant's Manufacturing Process

A primary way we reduce waste is recycling and reusing our metal, wood, and cardboard scrap, rather than sending it to landfill. Our facility in Bury, UK saw a 28% decrease in recycling and waste tonnage compared to 2020. This facility achieved the decrease through process scrap reduction and press productivity increases. In its continuing commitment to reducing waste, the facility will install a new press steam and water recovery system in 2022. Its composite steam press is the main producer of wastewater, and the new system will capture more steam and wastewater from the system, recycling it into the steam generator and cooling tower.

We continually evaluate ways to reduce the actual production of waste, whether through new recycling initiatives, manufacturing design changes, supplier interactions, or reduction in purchasing. Reuse among manufacturing facilities is another way we increase the longevity of our manufacturing equipment. A piece of machining equipment was no longer needed at a Kadant site, and we could not find a buyer. Rather than send the piece to the scrapyard, our site in Guadalajara, Mexico was able to use it in its operations — saving the piece of equipment from the waste stream and supporting the operations of another Kadant facility.



In 2021, **we reused ~400 tons of waste.**

Beyond our internal Kadant efforts to reduce material usage and waste, we ensure our suppliers are fully aware of our Supplier Code of Conduct and the importance of operating sustainably. Our facility in Georgsmarienhütte, Germany expects suppliers to use recycled packaging materials and ethically source their material. All packaging materials and materials not used at this location are recycled.

All our manufacturing locations continue to discover and share ways to best reduce their waste streams and participate in a circular economy when possible.

In 2021, Kadant's Jining, China site recovered **695 tons of materials.**



SUSTAINABILITY SPOTLIGHT

Breaking Through Modern Challenges with Sustainable Solutions

The variable flare reducer (VFR) is a breakthrough product Kadant developed and patented to improve the process of removing bark from trees. Many tree species throughout the world possess a flare in the last few feet of the stem, and a flare creates significant challenges for modern sawmills. Kadant's VFR enables the equipment to react to the flare of the tree in real-time, without having to move the logs out of the production line and without having to stop regularly to change out fixed-size rings. More importantly, the VFR allows the mill optimization system to select an optimal flare reduction for each log as opposed to applying a generalized reduction to all logs. These small optimization improvements on each log add up to significant savings over the millions of logs processed annually and improve the sustainability of our sawmill customers by maximizing fiber from each tree while minimizing waste.

CIRCULAR ECONOMY BUSINESS OPPORTUNITIES

As the world shifts towards a more sustainable economy, regional legislation will create opportunities for us. The role of baling in waste management is recognized as a key element of producing secondary raw materials for manufacturing industries and for reducing carbon emissions. **We believe we are well-positioned to seize these unique opportunities and to contribute to the transition to a green economy.**

SUSTAINABILITY SPOTLIGHT

Accelerating the Transition from Plastic to Paper

There continues to be large amounts of waste from non-renewable plastic packaging. Kadant is focused on developing technologies to enable the production of paper alternatives to plastic packaging. In addition to our ongoing research and development, we are working collaboratively with other organizations, such as 4evergreen, a Confederation of European Paper Industries (CEPI) organization, to accelerate the transition from plastic to paper packaging. Together, we are creating new business models that provide a recycling solution to customers while simplifying collection of packaging.



Customer Waste Streams

Kadant strives to enable our customers to realize sustainability benefits when using our products, such as decreasing the amount of material waste. We strive to ensure that our products and technology provide maximum production without wasting raw materials, and we work with our customers to ensure our products provide waste savings. We also partner to design systems that best meet customers' waste reduction goals.

Our Rotoflex filters demonstrate innovation that allows for maximum waste reduction. When the filter is applied to the white-water line in a paper machine, it separates the solid waste from the water. That allows the water to be reused in the paper production process and reduces costs associated with treating effluents and the demand for freshwater.



ENVIRONMENTAL COMPLIANCE

Over the year, one of the highlights of our environmental compliance efforts was when our site in Jining, China passed Shan Dong Province's level B company audit. In doing so, **the site earned a Level B environmental certification thereby reducing their impact on the surrounding region.**

LOOKING FORWARD



Energy

In 2022, we will continue to source 100% of our electricity from renewable sources through the purchase of renewable energy certificates for all our non-renewable energy usage. Additionally, as part of our ESG goals for 2022, we will conduct feasibility studies for various onsite renewable energy generation options.

Climate and Greenhouse Gas

As part of our ongoing commitment to accurately track and reduce our carbon footprint, we have set a number of climate emissions reduction goals for 2022. In 2022, we will quantify the relevant categories of our Scope 3 emissions, perform our first climate-related risk assessment, which will include scenario analysis, and we will issue our first TCFD-compliant report.

GRI Content Index

This report has been prepared in accordance with the GRI Standards: Core option. Unless otherwise specified, this report was prepared using the 2016 versions of the Topic Specific Disclosures of the GRI Standards.

Kadant's 2021 Corporate Sustainability Report is our third report and covers the reporting period of calendar year 2021. GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report and satisfy the requirements for the Materiality Disclosures Service. Data in the report represents all wholly owned Kadant operations able to provide data for any topic, other than companies acquired in 2021.

| GRI 101: Foundation 2016 | | |
|------------------------------|--|--|
| GRI 102: General Disclosures | | |
| Organizational Profile | Information / Location in Report | |
| 102-1 | Name of the organization | Kadant Inc. |
| 102-2 | Activities, brands, products, and services | Available online at: https://www.kadant.com/en/our-businesses |
| 102-3 | Location of the headquarters | Westford, Massachusetts, United States |
| 102-4 | Location of operations | Kadant's facilities are located in 20 countries worldwide. A full list of our manufacturing locations is available at https://www.kadant.com/en/our-businesses |
| 102-5 | Ownership and legal form | Kadant Inc. is listed on the New York Stock Exchange (NYSE: KAI). |
| 102-6 | Markets served | Kadant is a global supplier of technologies and engineered systems that drive Sustainable Industrial Processing. Our products and services play an integral role in enhancing efficiency, optimizing energy utilization, and maximizing productivity in process industries. Kadant brand products and services are sold to industries in 150 countries through our subsidiaries located in North America, South America, Europe, and Asia. For a list of industries served, visit: https://www.kadant.com/en/our-businesses |
| 102-7 | Scale of the organization | Kadant is headquartered in Westford, Massachusetts, with 20 locations worldwide and approximately 2,900 employees. Kadant generated \$787 million in revenue in 2021. |
| 102-8 | Information on employees and other workers | Kadant has approximately 2,900 employees worldwide. At our corporate headquarters, our employees are 59% male and 41% female. |
| 102-9 | Supply chain | For more information see page 9 . |
| 102-10 | Significant changes to the organization and its supply chain | Kadant's supply chain consists of hundreds of upstream suppliers who primarily provide raw materials such as steel, stainless steel, ductile iron, brass, bronze, aluminum, elastomers, and by-products from the production of paper. |

| | | |
|--------|--|--|
| 102-11 | Precautionary Principle approach | In 2021, we acquired The Clouth Group of Companies, a leading manufacturer of doctor blades and related equipment used in the production of paper, packaging, and tissue. In 2021, we also acquired Balemaster, a leading US manufacturer of horizontal balers and related equipment used primarily for recycling packaging waste at corrugated box plants and large retail and distribution centers. |
| 102-12 | External initiatives | Kadant observes fundamental labor and environmental standards. These basic values are included in Kadant's Code of Business Conduct and Ethics and Human Rights and Environmental Health and Safety Policies, which are used to guide employees in adhering to high levels of performance, integrity and professionalism. |
| 102-13 | Membership of Associations | Engineered Wood Technology Association (EWTA), Technical Association of the Pulp and Paper Industry (TAPPI), and the Conveyor Equipment Manufacturers Association (CEMA) |
| 102-14 | Statement from senior decision-maker | See page 3 . |
| 102-16 | Values, principles, standards, and norms of behavior | Kadant's Code of Business Conduct and Ethics and other corporate governance documents are available online at https://investor.kadant.com/corporate-governance/highlights |
| 102-18 | Governance structure | Kadant's Corporate Governance Guidelines and the Committee Charters of the Board of Directors are available online at https://investor.kadant.com/corporate-governance/highlights |
| 102-40 | List of stakeholder groups | See page 14 . |
| 102-41 | Collective bargaining agreements | 39% of our employees are covered by a workers' council or collective bargaining agreement. |
| 102-42 | Identifying and selecting stakeholders | See page 14 . |
| 102-43 | Approach to stakeholder engagement | See page 14 . |
| 102-44 | Key topics and concerns raised | Stakeholders have raised various issues in our engagement with them. They are captured in the list of material topics on page 13 . |
| 102-45 | Entities included in the consolidated financial statements | All financial data presented in the report represents all Kadant operations, including directly and indirectly owned subsidiaries and joint ventures, unless explicitly noted otherwise. See Annual Report on Form 10-K for the fiscal year ended January 1, 2022. |
| 102-46 | Defining report content and topic boundaries | To prioritize the CR issues that are most relevant for our business and stakeholders, we applied the principles and guidelines of the Global Reporting Initiative (GRI) with the help of an external expert in 2021. By incorporating feedback from our most senior managers and representatives of key stakeholder groups, we identified key issues and determined which CR topics were most critical to address. |
| 102-47 | List of material topics | Material CR Topics are listed on page 13 ; Material GRI aspects are as listed in this Index. |
| 102-48 | Restatements of information | None. |
| 102-49 | Changes in reporting | No changes. |
| 102-50 | Reporting period | 1 January – 31 December 2021 |
| 102-51 | Date of most recent report | March 2021 |

| | | |
|--------|--|---|
| 102-52 | Reporting cycle | Annual |
| 102-53 | Contact point for questions regarding the report | Stacy Krause, Senior Vice President, General Counsel, and Secretary: Stacy.Krause@kadant.com |
| 102-54 | Claims of reporting in accordance with the GRI Standards | This report has been prepared in accordance with the GRI Standards: Core option. |
| 102-55 | GRI content index | See page 32 . |
| 102-56 | External assurance | At this time, Kadant has decided to not seek external assurance for the report. Kadant will investigate this for future years. |

Topic-specific Disclosures

Material Topic: Economic Performance

GRI 103: Management Approach 2016

103-1/103-2/103-3 See [page 38](#).

GRI 201: Economic Performance 2016

201-1 Direct economic value generated and distributed See [Annual Report on Form 10-K](#) for fiscal year ended January 1, 2022 at Kadant.com.

Material Topic: Corporate Governance

GRI 103: Management Approach 2016

103-1/103-2/103-3 See [page 38](#).

GRI Relevant Disclosure: Corporate Governance

102-18 Governance structure Kadant's Corporate Governance Guidelines and the Committee Charters of the Board of Directors are available online at <https://investor.kadant.com/corporate-governance/highlights>. Also see General Disclosure 102-18 for more information.

Material Topic: Ethics and Compliance

GRI 103: Management Approach 2016

103-1/103-2/103-3 See [page 38](#).

GRI 205: Anti-Corruption 2016

205-3 Confirmed incidents of corruption and actions taken In 2021, there were no confirmed incidents of corruption at Kadant.

GRI 419: Socioeconomic Compliance 2016

419-1 Non-compliance with laws and regulations in the social and economic area In 2021, there were no material fines for non-compliance with regulations.

Material Topic: Innovation**GRI 103: Management Approach 2016**103-1/103-2/103-3 See [page 39](#).**Non-GRI Topic: Innovation**

R&D Expenses as percentage of revenue

R&D expenses represented 1.4% of our revenue in fiscal year 2021.

Material Topic: Health and Safety**GRI 103: Management Approach 2016**103-1/103-2/103-3 See [page 39](#).**GRI 403: Occupational Health and Safety 2018**

| | | |
|--------|---|--|
| 403-1 | Occupational health and safety management system | See pages 15 - 18 . |
| 403-2 | Hazard identification, risk assessment, and incident investigation | See page 17 . |
| 403-3 | Occupational health services | See page 17 . |
| 403-4 | Worker participation, consultation, and communication on occupational health and safety | See page 16 . |
| 403-5 | Training on occupational health and safety | See page 17 . |
| 403-6 | Promotion of employee/worker health | See pages 17 - 18 . |
| 403-8 | Workers covered by an occupational health and safety management system | See page 39 . |
| 403-9 | Work-related injuries | Total Reportable Injury (TRIR) Rate = 3.03. See page 17 for further information. |
| 403-10 | Work-related ill-health | See pages 15 - 18 . |

Material Topic: Training and Education**GRI 103: Management Approach 2016**103-1/103-2/103-3 See [page 39](#).**GRI 404: Training and Education 2016**

| | | |
|-------|--|--|
| 404-3 | Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period. | It is Kadant's practice that full-time employees receive annual performance reviews. |
|-------|--|--|

Material Topic: Equal Opportunity and Non-Discrimination**GRI 103: Management Approach 2016**103-1/103-2/103-3 See [page 40](#).**GRI 405: Diversity and Equal Opportunity 2016**

| | | |
|-------|--|---|
| 405-1 | Diversity of governance bodies and employees | At the end of 2021, Kadant's board of directors ("Board") was comprised of six directors, one woman and five men. |
|-------|--|---|

GRI 406: Non-Discrimination 2016

| | | |
|-------|--|---|
| 406-1 | Incidents of discrimination and corrective actions taken | In 2021, there were no judgements of discrimination at any of our businesses. |
|-------|--|---|

Material Topic: Energy and Emissions**GRI 103: Management Approach 2016**103-1/103-2/103-3 See [page 40](#).**GRI 302: Energy 2016**

| | | |
|-------|--|-------------------------------|
| 302-2 | Energy Consumption within the organization | See page 26 . |
|-------|--|-------------------------------|

GRI 305: Emissions 2016

| | | |
|-------|--------------------------------|-------------------------------|
| 305-1 | Direct (Scope 1) GHG emissions | See page 26 . |
|-------|--------------------------------|-------------------------------|

| | | |
|-------|----------------------------------|-------------------------------|
| 305-2 | Indirect (Scope 2) GHG emissions | See page 26 . |
|-------|----------------------------------|-------------------------------|

Material Topic Materials Used**GRI 103: Management Approach 2016**103-1/103-2/103-3 See [page 40](#).**GRI 301: Materials 2016**

| | | |
|-------|------------------------------------|-------------------------------------|
| 301-1 | Materials used by weight or volume | See pages 28 - 29 . |
|-------|------------------------------------|-------------------------------------|

Material Topic: Effluents and Waste**GRI 103: Management Approach 2016**103-1/103-2/103-3 See [page 40](#).**GRI 306: Effluents and Waste 2016**

| | | |
|-------|-----------------------------------|-------------------------------|
| 306-2 | Waste by type and disposal method | See page 29 . |
|-------|-----------------------------------|-------------------------------|

Material Topic: Environmental Compliance

GRI 103: Management Approach 2016

103-1/103-2/103-3 See [page 40](#).

GRI 307: Environmental Compliance 2016

| | | |
|-------|--|---|
| 307-1 | Non-compliance with environmental laws and regulations | In 2021, no Kadant businesses were subjected to significant fines or sanctions for non-compliance with environmental laws or regulations. |
|-------|--|---|

Material Topic: Supply Chain Sustainability

GRI 103: Management Approach 2016

103-1/103-2/103-3 See [page 38](#).

GRI Relevant Disclosure: Supply Chain

| | | |
|------------------------|--------------|---|
| GRI 102: 2016 102-9 | Supply Chain | See page 9 and General Disclosure 102-9 for more information. |
|------------------------|--------------|---|

Management Approaches

Governance and Policies

As a public company and steward of our stockholders' financial assets, ethical behavior, fair dealing and compliance with our policies and applicable laws are important at Kadant. Compliance is managed by the corporate legal department in cooperation with our businesses' management teams. Compliance by our corporate management team and by the management of our various businesses through centralized policies is certified annually as an internal control. Our management team at corporate and geographic business levels are annually required to review and certify as to compliance with the Code of Business Conduct and Ethics, as well as the Insider Trading Policy, Anti-Harassment Policy, FCPA Policy and Global Export Compliance Policy.

Kadant's corporate legal department performs regular training on key policies and procedures and in conjunction with key events and acquisitions. As part of our commitment to continually improving training on ethics and compliance, this year we introduced a new online compliance training platform. The training platform will allow each Kadant location to assign and track short, interactive training videos to managers and employees on a range of topics, including diversity and inclusion, unconscious bias and sexual harassment. During the platform's first year, we will require management at each location to watch and complete an interactive training on Kadant's Code of Business Conduct and Ethics.

The corporate legal department provides an annual report related to compliance to the Board of Directors and ongoing updates to its Audit and Risk Oversight and Sustainability Committees. The Board's Risk Oversight and Sustainability Committee provides additional oversight of our key strategic and operational risks as well as our sustainability efforts. In the reporting year, our management approach proved effective and required no additional adjustments.

Supply Chain Sustainability

As a multi-national company that sources from hundreds of suppliers from around the world, we recognize the need for our suppliers to abide by and exceed various environmental, social, and economic regulations and standards both from an international perspective, e.g. human rights, and a country by country standard depending on where our suppliers operate. We manage these risks and regulatory issues in our supply chain primarily through our Supplier Code of Conduct, which is complemented by other relevant policies, such as the Kadant Code of Business Conduct and Ethics, Kadant Human Rights Policy and Kadant Environmental, Health and Safety Policy. The Supplier Code of Conduct is managed by our businesses across the globe. To assess and identify areas for improvement, we conducted a robust analysis of the suppliers that account for 80 percent of our supply chain spend to gain insight into how they manage sustainability and ethics. In addition, each business manages its own suppliers through targeted audits and feedback processes.

Financial Performance

Kadant's financial performance and management, including strategy and risk management, are the responsibility of the senior executive team and are overseen by our Board. As a public company, our financial disclosures are subject to the rules of the U.S. Securities and Exchange Commission and the New York Stock Exchange. The Board, through its committees, review and approve annual targets for key financial performance metrics, as proposed by management. Performance against these targets is monitored throughout the year. The executive compensation program emphasizes compensation linked to objective performance measures, which we believe are related to the creation of stockholder value. In addition, our non-employee directors receive an annual equity award for their service. In 2018, the Board's Compensation Committee adopted a compensation framework that ties the size of the equity award to the company's financial performance. Additional assessments occur during our quarterly review processes, annual performance reviews, and as part of our

annual strategic planning. When deviations from projections and goals are encountered, a variety of remedies are considered, including cost-saving measures, enhanced revenue generation, and other measures as deemed appropriate.

Research & Development

Innovation and continuous improvement are central to our organization. They keep us agile, ensure we are aligned with our customers' needs, and are vital to our continued success. This is relevant throughout our businesses, in particular those that house our research and development centers of excellence.

Research and development is managed by our various businesses. Most of our businesses have a dedicated research and development department and director, who is responsible for the oversight of our innovation programs. Engineering, manufacturing and several other departments are also heavily involved. Technical steering committees meet regularly and innovation is discussed during regular senior leadership meetings. Success in innovation is reviewed by multi-departmental leadership and tracked against internal targets.

Training & Education

The training and education of our employees is crucial for our continued success as a company. This extends throughout the organization. Many of our businesses operate in niche markets, which require specialized training. In our manufacturing facilities, safety trainings and trainings for operating advanced machinery are of particular importance. As an employer of choice, we need to keep all of our employees engaged, motivated and invested to maximize job satisfaction and performance. This leads to superior products and services and benefits our customers and all of our stakeholders.

Training and education is managed by our businesses individually. Responsibility lays with their senior management teams, in particular their human resource departments, and the departments under which the

respective trainings occur. Programs used include business wide training plans, tuition reimbursement policies and paid certifications and trainings, and regular performance reviews. The effectiveness of our training programs is assessed through our safety records, feedback we collect from participants, and the capabilities that our employees possess and demonstrate to the organization. If gaps are identified, training programs are adjusted.

Health, Safety, and Wellness

Health and safety is important throughout the organization, but primarily affects our employees on the shop-floor. Our employees are our most important asset. A strong safety record translates into better performance, fewer production delays, and better morale. It also increases our attractiveness as an employer of choice, ultimately making us more competitive. Moreover, it is a prerequisite of our customers to do business with us.

The topic is managed by the senior management of our various businesses and is adapted to their specific and regional requirements. They are supported by safety committees with representation from different departments. Our businesses follow an occupational health and safety management system that covers employees who receive all appropriate and necessary safety, trainings to both protect their own health and safety as well as the people, equipment and environment around them. Safety policies are accessible to our employees.

Often, external advisors review and make suggestions to augment our procedures, and several of our businesses have a variety of different safety certifications. Our businesses use different approaches to ensure management of health and safety is effective, including tracking of all relevant incidents, industry benchmarking, employee surveys, mock OSHA audits, or engagement of external reviewers, and react swiftly when needs for improvement are identified.

Equal Opportunity and Non-Discrimination

The topic is managed by our various businesses, usually by their respective Human Resource departments. They are all bound by equal employment opportunity policies in their employee handbooks. The attraction, retention and development of exceptional employees is critical to our continued success. As part of these efforts, we strive to offer a competitive compensation and benefits program and to foster a safe and inclusive work environment where everyone feels respected, valued and empowered to do their best work. We embrace the diversity of our employees, including their unique backgrounds, experiences, and talents. Everyone is valued and appreciated for their distinct contributions to the growth and sustainability of our business. We strive to cultivate a culture of diversity and inclusion that supports and enhances our ability to recruit, develop and retain talent at every level.

Our management team places significant focus and attention on matters concerning our employees – particularly capability development, and succession planning. Accordingly, we regularly review talent development and succession plans for each of our functions and operating segments, to identify and develop a pipeline of talent to maintain business operations. We have numerous programs to attract and retain our talent, including leadership and executive development programs as well as technical and other training. We partner with vocational schools, community colleges, universities and associations to promote future careers in manufacturing through training and apprenticeship programs. We also have a well-established performance management and talent development process in which managers provide regular feedback and coaching to develop employees.

Environment

Environmental stewardship is central to Kadant's commitment to corporate responsibility. Environmental strategies, policies, compliance, and management systems are overseen at each Kadant business by the leadership team of that business, with oversight by our corporate management team and the Board.

The material issues included in environmental performance are:

- + Environmental compliance: This is relevant to Kadant as non-compliance can impact operations, permitting for new facilities and other aspects of the business. Kadant is committed to adhering to all applicable environmental regulations everywhere it operates.
- + Energy and emissions: Energy is relevant for Kadant as it is an expense for the company and is the source of the majority of its greenhouse gas emissions. To manage energy and emissions we collect consumption data and set relevant goals that aim to reduce our footprint. In 2021, we were proud to achieve one of our goals of sourcing 100 percent of our electricity from renewable sources for our operating sites globally. As a result, our greenhouse gas emissions associated with electricity have been eliminated and our global GHG footprint from all sources has declined 30 percent compared to 2020 levels.
- + Material usage: Kadant uses materials in its processes, primarily metals. The amounts of these materials, and related goals and targets, are monitored for cost-control purposes.
- + Waste and recycling: This topic is managed locally at each business by the leadership team. Goals and targets are set depending on local conditions, options for waste diversion, and cost factors.

UNGC Index

| The Ten Principles of the UN Global Compact | | Response or Page Reference |
|---|---|---|
| Human Rights | | |
| Principle 1 | Businesses should support and respect the protection of internationally proclaimed human rights | Our approach to human rights is consistent with the principles of the UN Universal Declaration of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work. |
| Principle 2 | Make sure that they are not complicit in human rights abuses | We require all members of our value chain to comply with all applicable rules and regulations. |
| Labor | | |
| Principle 3 | Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining | See page 7 . |
| Principle 4 | The elimination of all forms of forced and compulsory labor | See page 7 . |
| Principle 5 | The effective abolition of child labor | See page 7 . |
| Principle 6 | The elimination of discrimination in respect of employment and occupation | See page 7 . |
| Environment | | |
| Principle 7 | Businesses should support a precautionary approach to environmental challenges | Our environmental management processes are based on regulations and best available data and are proactive and precautionary in nature. |
| Principle 8 | Undertake initiatives to promote greater environmental responsibility | See pages 25 - 31 . |
| Principle 9 | Encourage the development and diffusion of environmentally friendly technologies | See pages 25 - 31 . |
| Anti-corruption | | |
| Principle 10 | Businesses should work against corruption in all its forms, including extortion and bribery | See pages 6 - 8 . |

SASB Index

SASB Industrial Machinery and Products Standard

Energy Management

| Accounting Metric(s) | Code | Unit | Response or Location in Report |
|----------------------|------|------|--------------------------------|
|----------------------|------|------|--------------------------------|

| | | | |
|--|--------------|---------------------------------|-------------------------------|
| (1) Total energy consumed; (2) percentage grid Electricity; (3) percentage renewable | RT-IG-130a.1 | Gigajoules (GJ), Percentage (%) | See page 26 . |
|--|--------------|---------------------------------|-------------------------------|

Employee Health and Safety

| | | | |
|--|--------------|------|-------------------------------|
| (1) Total recordable incident rate (TRIR); (2) fatality rate, and; (3) near miss frequency rate (NMFR) | RT-IG-320a.1 | Rate | See page 17 . |
|--|--------------|------|-------------------------------|

Fuel Economy and Emissions Use-phase

| | | | |
|--|--------------|---------------------------------|--|
| Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles | RT-IG-130a.1 | Gigajoules (GJ), Percentage (%) | Given this data is not relevant to our business performance nor readily available, we choose not to disclose this data at this time. |
|--|--------------|---------------------------------|--|

| | | | |
|---|--------------|------------------|--|
| Sales-weighted fuel efficiency for non-road equipment | RT-IG-410a.2 | Gallons per hour | Given this data is not relevant to our business performance nor readily available, we choose not to disclose this data at this time. |
|---|--------------|------------------|--|

| | | | |
|--|--------------|------------------|--|
| Sales-weighted fuel efficiency for stationary generators | RT-IG-410a.3 | Watts per gallon | Given this data is not relevant to our business performance nor readily available, we choose not to disclose this data at this time. |
|--|--------------|------------------|--|

| | | | |
|--|--------------|-------------------------|--|
| Sales-weighted emissions of: (1) nitrogen oxides (NO _x) and (2) particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy-duty engines, and (d) other non-road diesel engines | RT-IG-410a.4 | Grams per kilowatt-hour | Given this data is not relevant to our business performance nor readily available, we choose not to disclose this data at this time. |
|--|--------------|-------------------------|--|

Materials Sourcing

| | | | |
|--|--------------|-----|---|
| Description of the management of risks associated with the use of critical materials | RT-IG-440a.1 | N/a | See page 25 and pages 28 - 30 . |
|--|--------------|-----|---|

Remanufacturing Design and Services

| | | | |
|---|--------------|--------------------|---|
| Revenue from remanufactured products and remanufacturing services | RT-IG-440b.1 | Reporting currency | Given this data is not a significant element of our business nor readily available, we choose not to disclose this data at this time. |
|---|--------------|--------------------|---|

Activity Metrics

| | | | |
|--|-------------|--------|--|
| Number of units produced by product category | RT-IG-000.A | Number | Please see our Annual Report on Form 10-K for the fiscal year ended January 1, 2022. |
|--|-------------|--------|--|

| | | | |
|---------------------|-------------|--------|--|
| Number of employees | RT-IG-000.B | Number | In 2021, we had approximately 2,900 employees. |
|---------------------|-------------|--------|--|

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