



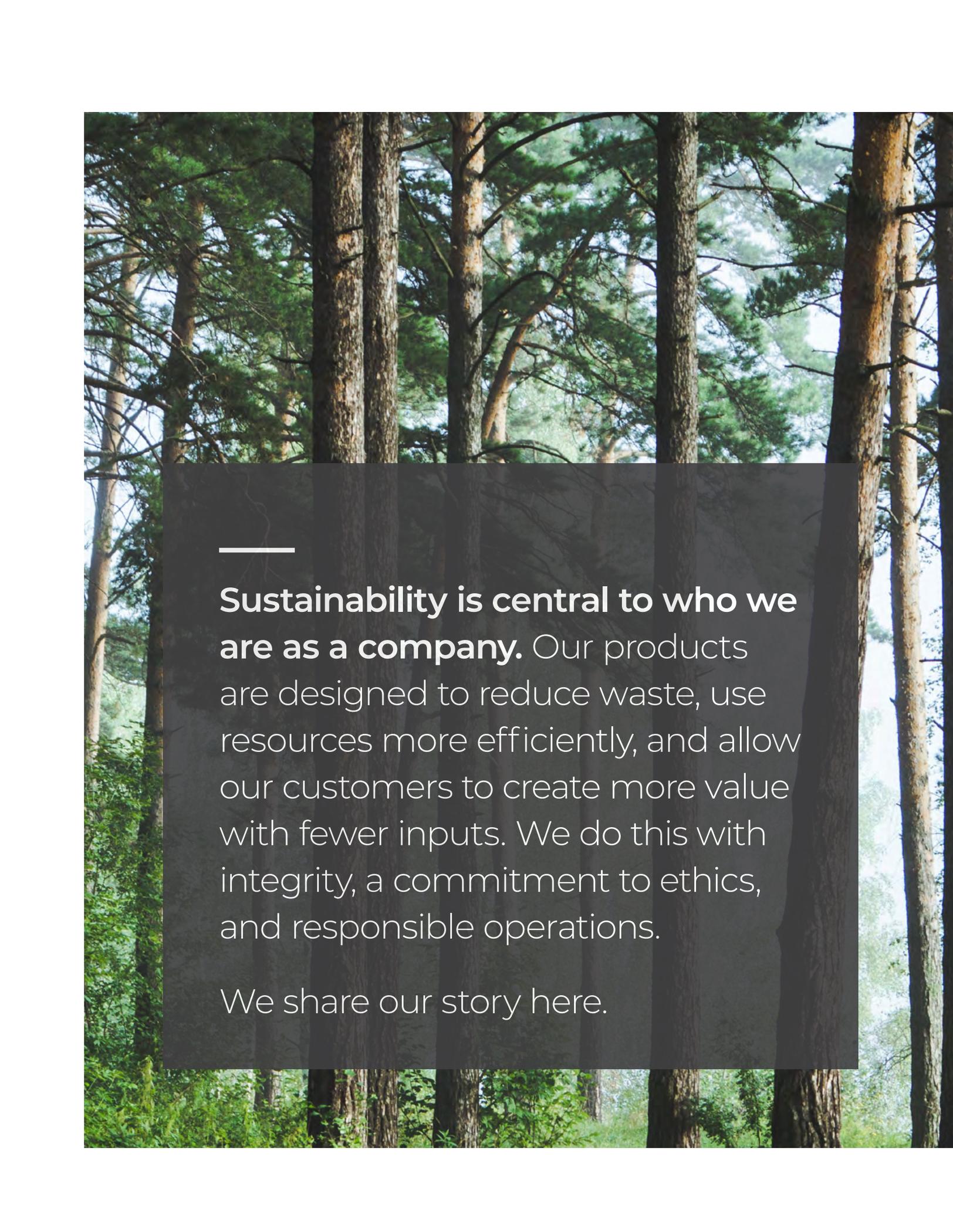
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CORPORATE
SUSTAINABILITY
REPORT

KĀDANT

Solving Our Customers'
Sustainability Issues Through

**Innovation and
Collaboration**



Sustainability is central to who we are as a company. Our products are designed to reduce waste, use resources more efficiently, and allow our customers to create more value with fewer inputs. We do this with integrity, a commitment to ethics, and responsible operations.

We share our story here.



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A Message *from the* CEO

Greetings and welcome to the first Kadant Sustainability Report.

As the CEO of Kadant, I am excited about this opportunity to share the story behind our ongoing work in support of environmental sustainability, social responsibility, and transparent governance across our global company.

At Kadant, we help our customers optimize their production processes through innovative products, engineered systems, and advanced technologies. We play a critical role in the industrial supply chain by offering application expertise and solutions that reduce the utilization of natural resources, increase productivity, and minimize energy consumption. I am pleased to share how our products, people, and processes contribute toward our efforts to be a responsible corporate citizen.

Over the decades, our businesses have built a reputation for delivering high quality, reliable products and solutions to process-oriented industries across the globe. A contributing factor to our longevity is our unwavering commitment to and culture of continuous improvement. Our culture leads us to deliver more while using less, and to take care of our people and communities in the process.

This report focuses on three key components of our company's sustainability efforts: our people and communities, the efficiencies of our products and our own manufacturing processes, and our focus on facilitating the productive and efficient use of renewable resources and materials.

Our people are the heart and driving force of Kadant. We have grown to approximately 2,800 employees and expanded our

Our culture leads us to deliver more while using less, and to take care of our people and communities in the process.



presence into a variety of industrial markets and applications. Our people focus their efforts on making the best solutions possible to benefit our customers. We invest in our people and are connected to the communities in which we operate. This offers many benefits, such as the opportunity to develop local talent through education, scholarship, and internship programs.

Our diverse and talented management team and board of directors provide a significant breadth of experience, knowledge, and abilities and are committed to ensuring that we fulfill our commitments to our stakeholders. Maintaining these commitments and priorities has resulted in long-tenured employees across our businesses and very low turnover, which enables the company to retain deep institutional knowledge that benefits the development of innovative products and services.

We are proud of the efficient products and solutions that we design and manufacture, which can result in significant productivity and sustainability improvements for our customers. We have an asset-light business model, enabling us to minimize our consumption of resources and the environmental footprint we create. It also allows us to operate our business with lower expenditures than others in our industries, which has supported strong returns to our shareholders.

Finally, we have always and will continue to focus on helping our customers efficiently use renewable natural resources in their manufacturing processes. Our products can maximize the use of renewable and biodegradable materials which, in turn, can help our customers achieve their own sustainability goals, including the reduction of greenhouse gas emissions.

Sustainability is central to who we are as a company. We are proud of our history, our people, and our products. While we have operated our business with this focus for many years, we are delighted to present these stories to you in this sustainability report. We look forward to providing updates on our progress in the coming years.



Jeffrey L. Powell
President, Chief Executive Officer, and Director

A handwritten signature in black ink, appearing to read 'Jeffrey Powell', written in a cursive style.

March 2020

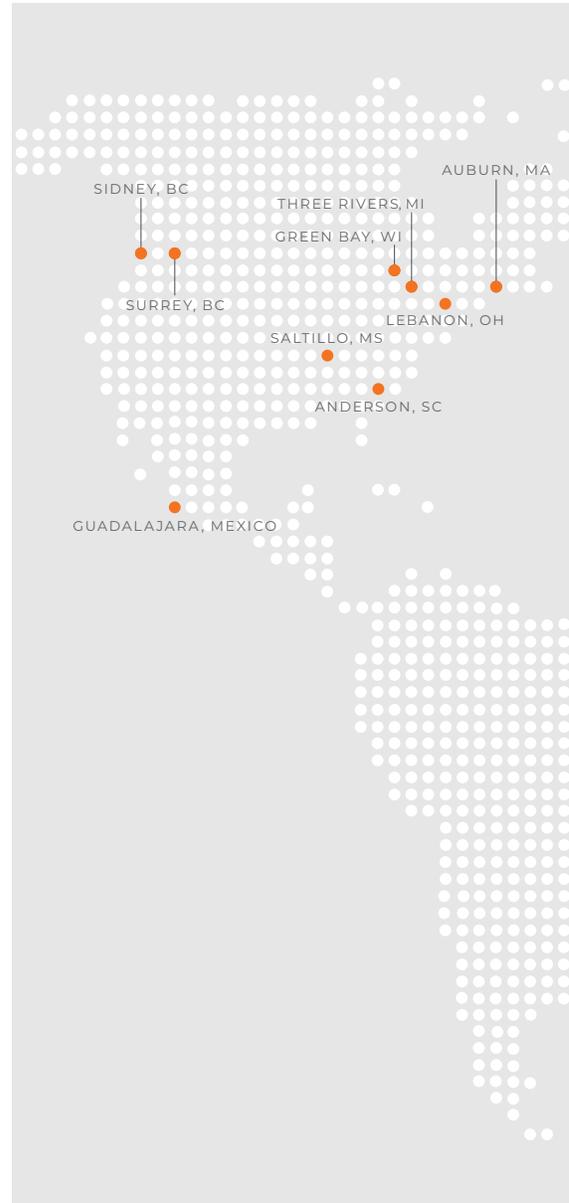
ABOUT US

Kadant *at a* Glance

Kadant is a global supplier of high-value technologies and engineered systems that help our customers reduce energy consumption and water use and enhance efficiencies for long-term sustainability.

We have customers in a wide range of industries from pulp and paper and wood processing to mining, chemicals, textiles, and food and beverage.

Kadant became a fully independent public company in 2001 and is listed on the New York Stock Exchange (KAI). However, our story began long before 2001, and many of our businesses have been serving industrial customers for more than 100 years. We are headquartered in Westford, Massachusetts, with 19 major manufacturing locations and approximately 2,800 employees in 20 countries around the world.



Read more about the industries we serve at kadant.com



20
COUNTRIES

~2,800
EMPLOYEES

Our Main Product Lines



Custom-engineered stock-preparation systems and equipment for the preparation of wastepaper for conversion into recycled paper.



Balers and related equipment used in the processing of recyclable and waste materials.



Fluid-handling systems and equipment used in industrial piping systems to efficiently transfer fluid, power, and data between fixed piping and rotating components.



Doctoring, cleaning, and filtration systems and equipment and related consumables important to the efficient operation of paper machines and other industrial processes.



Ring and rotary debarkers, which utilize different technologies to remove bark from a log.



Disc and ring stranders cut logs into strands for engineered wood applications including OSB.



Bulk material handling equipment and systems, for conveying, feeding, screening, and elevating material for a variety of industries.



Our fiber-based product line manufactures **biodegradable, absorbent granules** produced from our customers' papermaking sludge.



Wes Martz, President, Kadant Johnson LLC; **Eric Langevin**, Executive Vice President and Chief Operating Officer; **Li Petrie**, Director of Internal Audit

Governance *and* Policies

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

The Risk Oversight and Sustainability Committee meets regularly with our Chief Executive Officer and senior management.

Board Composition and Evaluation

At the end of 2019, Kadant's board of directors ("Board") was comprised of six directors, one woman and five men. Our Corporate Governance Guidelines require that the majority of the Board be comprised of independent directors, and four 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.

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, and reputational risks inherent in our business. The Risk Oversight and Sustainability Committee meets regularly with our Chief Executive Officer and senior management to discuss enterprise risk management and sustainability.

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. The Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to risk management in the areas of financial reporting, internal controls, and compliance with legal and regulatory requirements. In addition, the Audit Committee discusses policies with respect to risk assessment and risk management with management, our internal auditors, and the independent auditors.



Standing Committees

The Board and its four standing committees meet throughout the year and engage with management to ensure that governance best practices are reflected in our ongoing operations and strategy.

- **Audit**
- **Compensation**
- **Nominating and Corporate Governance**
- **Risk Oversight and Sustainability**



Amy Jodice, Corporate Paralegal; **Astrid Tsang**, Assistant General Counsel; **Stacy Krause**, Vice President, General Counsel, and Secretary; **Thisaru Perera**, Law Clerk

Code of Business Conduct and Ethics

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. It is our policy that we will not discipline, discriminate against, or retaliate against any employee who reports a concern, or who cooperates in any investigation or inquiry regarding such report.



Q & A

Stacy Krause

Vice President, General Counsel, and Secretary

Which environmental, social, and governance (ESG) issues affect your role at Kadant?

In the legal department, we focus on governance and policies that will improve our ESG profile. We recently introduced our Global Supplier Code of Conduct, which explicitly outlines Kadant's expectations of suppliers, as part of our commitment to conducting business in an ethical, legal, environmentally sustainable, and socially responsible manner. We also have plans for human rights and environmental policies.

Which ESG issue do you think is the most important to your stakeholders and how is Kadant addressing this issue?

Employee health and safety is very important at Kadant and to our customers, and we are quite proud of our safety record. Our Global Supplier Code of Conduct goes a long way toward codifying employee health and safety best practices, and we have rolled out a

drug testing policy for employees who enter customer sites to support our customers' workplace safety initiatives.

Historically, what do you feel is Kadant's strength in sustainability?

At our core, we are about innovation and improving processes. We build equipment that enhances process efficiency, optimizes energy use, and maximizes productivity, all of which support sustainability. The concepts of recycling, repurposing, and waste reuse and reduction are reflected throughout our business.

What is one lesser-known aspect of Kadant's sustainability efforts that you are proud of?

What we've always known at Kadant, and what more people are coming to understand, is that trees are a renewable resource. When trees are properly processed according to sustainable processes like those we enable, our industry provides environmental benefits.

Ethics *and* Compliance





As a global supplier of products used in process industries worldwide, we are proud of our commitment to our values of quality, service, and ethical conduct and fair dealing with our employees, customers, suppliers, and investors. These values are fundamental to our business relationships and our continued success in the marketplace. At Kadant, our corporate reputation is a precious, long-term asset that we are all responsible for maintaining.

Policies and Guidelines

Several central policies and guidelines serve as the foundation of our commitment to our values, and clearly delineate what we expect of our employees and senior leadership of the Company and its facilities. We have a CEO message on Corporate Responsibility posted on our website. Our policies and guidelines include:

- Corporate Governance Guidelines
- Code of Business Conduct and Ethics
- Ethics and Compliance Hotline
- Anti-Harassment Policy
- Insider Trading Policy
- Foreign Corrupt Practices Act Policy
- Global Supplier Code of Conduct
- Conflict Minerals Policy
- Global Export Control Policy

Business Conduct

Our comprehensive Code of Business Conduct and Ethics clearly states our values and outlines appropriate business conduct. For instance, it includes provisions on:

- Compliance with Laws, Rules, and Regulations
- Ethical Conduct and Fair Dealing
- Conflicts of Interest
- Confidential Information
- Anti-bribery and Anti-corruption
- Political Contributions
- Insider Trading
- Global Trade Compliance and Export Control Awareness
- Maintaining Free Competition
- Health and Safety
- Equal Employment Opportunities
- Human Trafficking and Slavery

In addition, our management is required to annually review and certify as to 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 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.

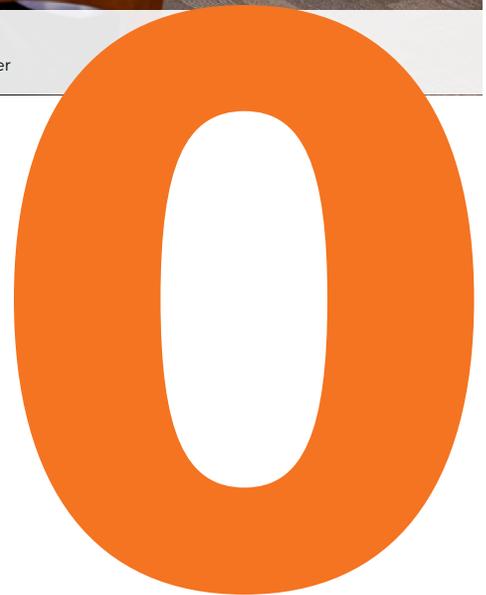
To further improve accessibility, our Code of Business Conduct and Ethics and our Global Supplier Code of Conduct were translated into home country languages of our major businesses.

**At Kadant,
our corporate
integrity is a
treasured asset
that we are all
responsible for
maintaining.**



Deborah Selwood, Senior Vice President and Chief Accounting Officer; **Jeffrey Powell**, President, Chief Executive Officer, and Director; **Mike McKenney**, Executive Vice President and Chief Financial Officer

No corruption incidents and no material fines or monetary sanctions for noncompliance with laws in the reporting year.



Training

Kadant's corporate legal department performs regular training on key policies and procedures and in conjunction with key events and acquisitions. We are pleased to report that we had no corruption incidents and no material fines or monetary sanctions for noncompliance with laws in the reporting year.

Supply Chain Sustainability

As a global company spanning six continents, we realize the importance of sustainability and its impact across our entire value chain, including those of our suppliers. We strategically select and manage our suppliers to mitigate risk, ensure product quality and availability, and minimize disruption to our customers. In our Global Supplier Code of Conduct we have outlined our expectations of our suppliers and subcontractors. We communicate these expectations to our employees and suppliers involved in the procurement and supply of products and services to Kadant and take reasonable measures to ensure our suppliers act in accordance with the principles outlined in the code.

In our Global Supplier Code of Conduct we have outlined our expectations of our suppliers and subcontractors.





Conflict Minerals

Suppliers are required to report whether the products supplied to Kadant contain certain metals or their derivatives that originate from conflict regions and directly or indirectly finance or benefit armed groups. Suppliers are surveyed annually to determine whether they are sourcing “conflict” minerals from the Democratic Republic of the Congo (DRC) or an adjoining country. This supports the Dodd-Frank Wall Street Reform and Consumer Protection Act, the intent of which is to prevent armed groups in the DRC and adjoining countries from benefitting from the sourcing of “conflict” minerals.



Supplier Integrity

Suppliers are prohibited from engaging in any corruption, extortion, or embezzlement in any form. Suppliers must comply with applicable anti-corruption laws and regulations of the countries in which they operate, including the U.S. Foreign Corrupt Practices Act and applicable international anti-corruption conventions. Suppliers must avoid all conflicts of interest or situations that give the appearance of a conflict of interest in their dealings with Kadant employees. Suppliers will not offer or accept bribes or employ other means to obtain an undue or improper advantage. Suppliers are expected not to offer to Kadant employees costly gifts or any other kind of personal benefit resulting from the relationships with the suppliers.

Suppliers are prohibited from engaging in any corruption, extortion, or embezzlement in any form.

Child Labor

We do not employ child labor nor do we tolerate it in our supply chain. All suppliers must comply with applicable local child labor laws and only employ individuals who meet the applicable minimum legal age requirement for their location.



Audits and Assessments

Suppliers are expected to perform periodic evaluations of their facilities and operations, and the facilities and operations of their subcontractors and next-tier suppliers, to ensure compliance with our Global Supplier Code of Conduct and applicable law. Suppliers must permit Kadant and/or a third party designated by us to periodically evaluate their facilities and operations, and those of their subcontractors and next-tier suppliers, to the extent they are providing goods or services to Kadant, for Kadant's benefit, or for use in Kadant products.

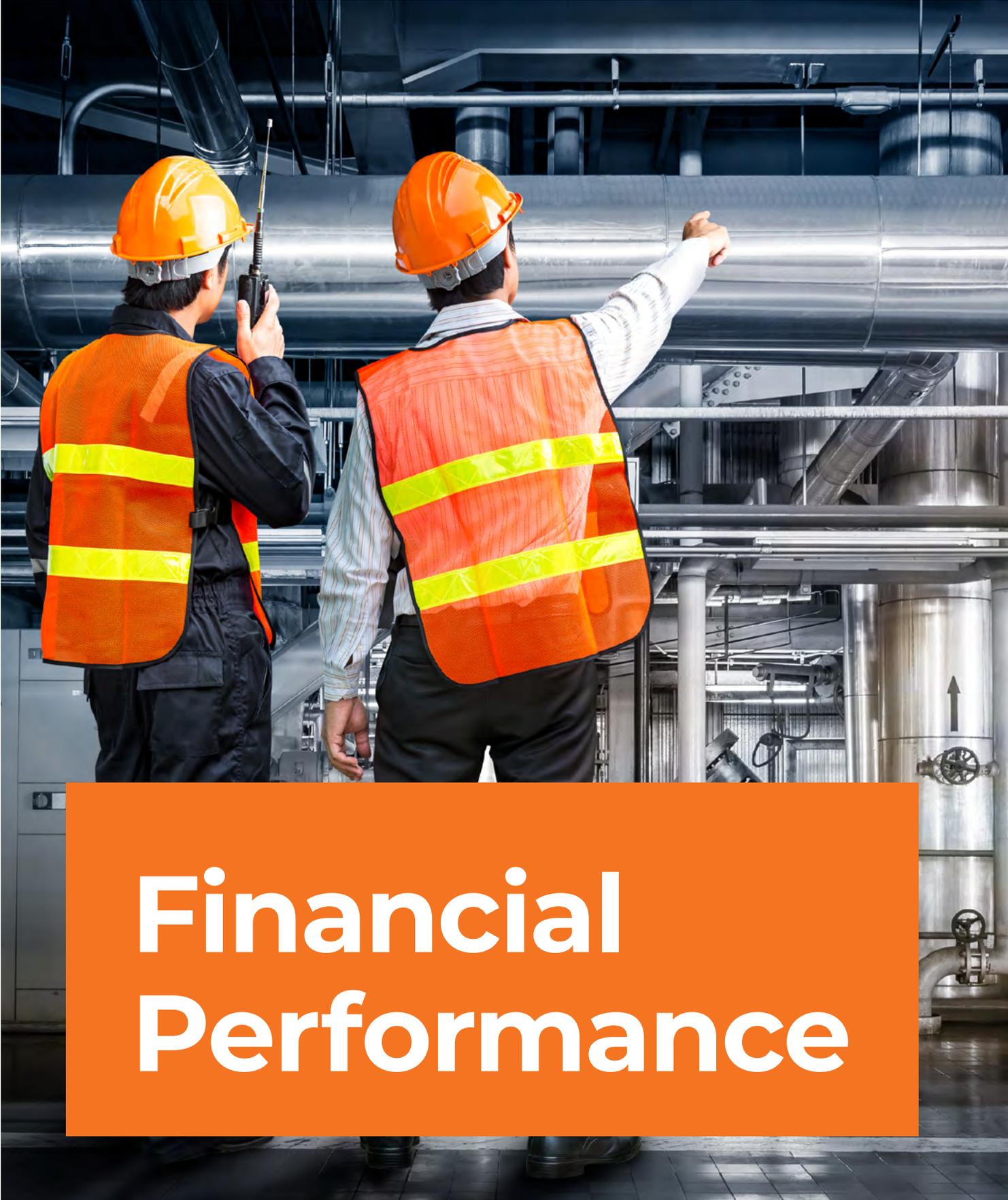
Security

Suppliers are expected to have good security practices and to maintain processes and standards that are designed to ensure the integrity of each shipment to Kadant from its origin through to its destination and all points in between. They are expected to implement the necessary and appropriate measures in their area of responsibility to ensure Kadant products, their workable components or raw materials, and the corresponding know-how do not end up in the hands of counterfeiters or third parties and do not leave the legal supply chain.

In addition to the principles discussed above, there are many other principles related to sustainability stipulated in our Global Supplier of Code of Conduct, and the code also articulates that these principles are an important component of each Kadant business' supplier selection and evaluation.



**To read our full
Supplier of Code
of Conduct, please
visit our website at
kadant.com.**



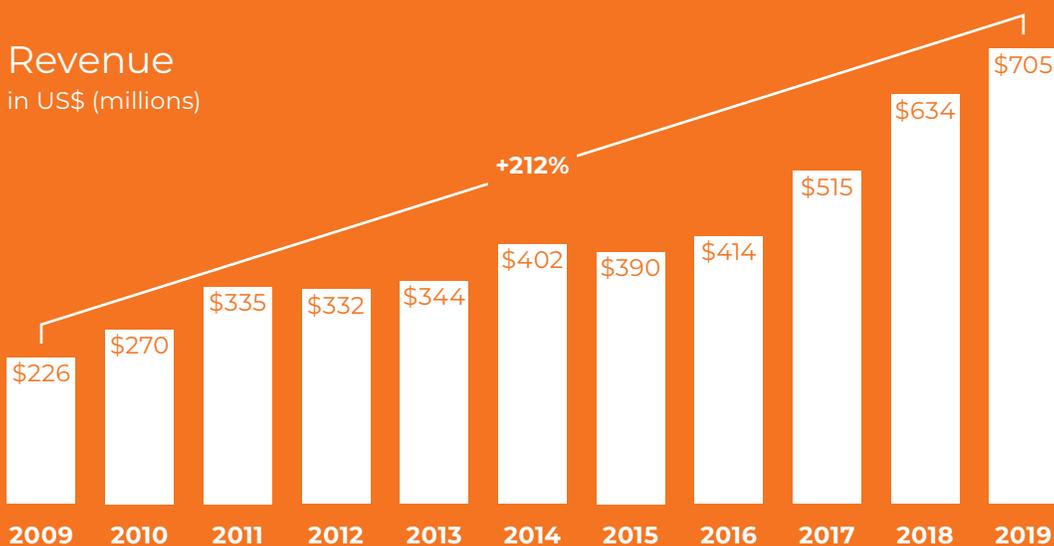
Financial Performance

Financial stability and transparent disclosure of our performance instill trust and confidence within our employees, investors, and customers. Over the last decade, we have delivered consistent growth and believe that we are well positioned today to continue on this path into the future.

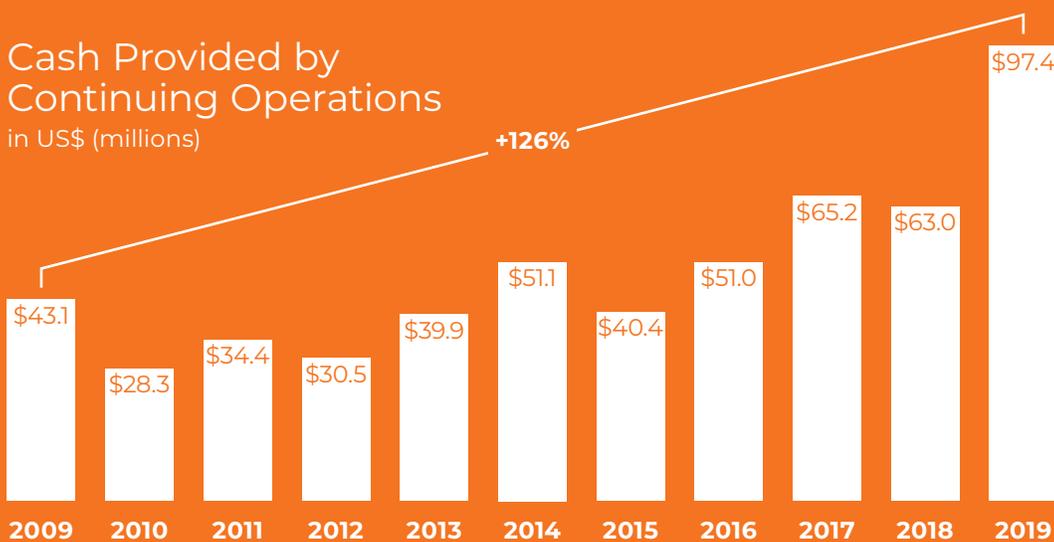


By the Numbers

Revenue
in US\$ (millions)



Cash Provided by
Continuing Operations
in US\$ (millions)



Additional selected financial data for the 2019 fiscal year can be found in our 2019 Annual Report on Form 10-K.



Mike McKenney

*Executive Vice President and
Chief Financial Officer*

Which environmental, social, and governance (ESG) issues affect your role at Kadant?

Sustainability is a movement that Kadant is delighted to see take hold. We have been on the side of sustainability since well before it became an area of investor focus, and as CFO I couldn't be happier that the economics of sustainability have aligned with demand. We learned early that we could carve out a niche by designing products that help our customers lower their costs.

Which ESG issue do you think is the most important to your stakeholders and how is Kadant addressing this issue?

Very simply, our customers want products designed for sustainability because being sustainable helps them lower their costs and be more competitive. Our entire operation—from the high quality and reliability of our products to the innovative technology of our product design—is designed to save our customers energy, material costs, water, additives, and downtime—everything that costs money. So when we help them become more sustainable, we are helping them become financially stronger as well.

Historically, what do you feel is Kadant's strength in sustainability?

The founders of Kadant were focused on recycling and reusing waste, and I believe it was this exceptional vision that put Kadant where we are today. In the 1990s, paper manufacturing began moving out of the U.S. to other countries where there is relatively little wood. This migration created great demand for products like ours, which minimize waste and maximize yield. Now that customers across the globe are interested in minimizing waste and maximizing yield, we can draw on our decades of experience to serve these market demands.

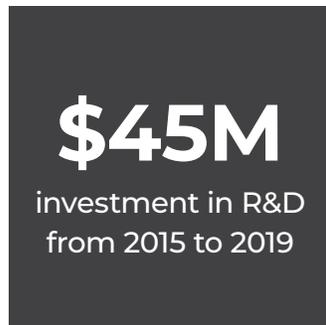
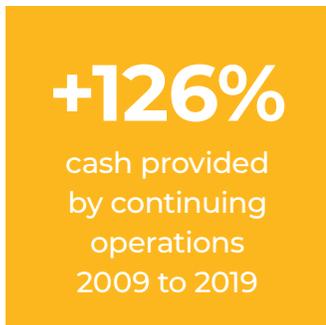
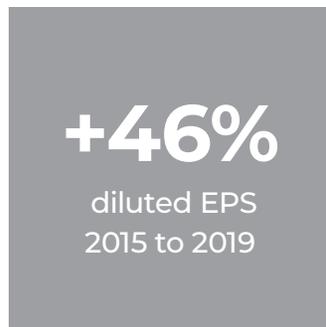
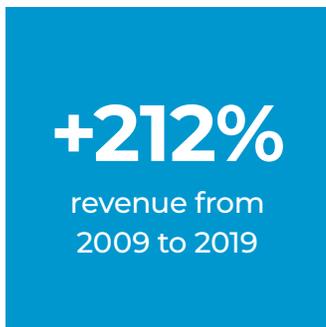
In the next decade, what sustainability issues do you see becoming more important across the Kadant value chain?

I'm not much of a futurist, but I can say this: sustainability is here to stay. It will become increasingly more important.

SUSTAINABILITY AT KADANT

Over the past few years, the interest in sustainability and environmental, social and governance (ESG) issues has grown exponentially among our stakeholders, including our investors, customers, and employees. We understand the need to communicate Kadant’s sustainability journey—where we have been, where we are now, and where we are going—to make it easier for all of our stakeholders to better comprehend our mission and story.

Key Metrics



At our own operations:

>500 tons
steel recycled
in 2019

>70 tons
material
composted
in 2019

>150 tons
material
recycled
in 2019

>1,300 tons
metals
used in our
products

Material Topics

Our first step was to consult with independent advisors to support the development of our first-ever sustainability report, including pinpointing the ESG topics that are most important to both our internal stakeholders (employees, investors, and customers) and to our external stakeholders (customers, potential investors, and communities). During this process, the following issues were determined to be the most material:

Corporate	<ul style="list-style-type: none"> Financial Performance Governance Ethics and Compliance Supply Chain Sustainability
Innovation	<ul style="list-style-type: none"> Research and Development Delivering Value to Customers
Employees	<ul style="list-style-type: none"> Health, Safety, and Wellness Learning and Development Equal Opportunity and Non-Discrimination
Environment	<ul style="list-style-type: none"> Energy, Emissions, and Climate Change Effluents, Waste, and Recycling Materials Used Environmental Compliance



Stakeholder Engagement

Active engagement of our interest groups is critical in driving the sustainability of our company. Kadant's most important stakeholder groups are our customers, employees, investors, and local communities, and we are dedicated to maintaining open lines of communication and considering all their interests and needs.

Customers

Developing lasting relationships with our customers is critical to our success and integral to our vision. We see our customers as partners and collaborators and work closely with them to find the most efficient solutions for their applications.

Employees

The dedication and expertise of our employees around the world forms the foundation of our performance and strong relationships with our customers. We regularly engage with our employees to make sure they are empowered to maintain our culture of innovation, high performance, and exceptional customer service. Avenues of engagement include job rotation and cross-training, multi-rater feedback surveys, leadership development programs, annual performance reviews, and career development programs.

<p>Investors</p>	<p>The continued support of our stockholders fuels our sustainable growth. We engage directly with investors to understand their perspectives on corporate governance, sustainability, and other matters. We hold “Investor Days”, present at financial and industry conferences, meet with financial analysts and investment firms, and hold individual meetings with current and potential shareholders throughout the year or as deemed appropriate.</p>
<p>Local Communities</p>	<p>We seek to have a positive impact on the communities where our employees live and work. Our businesses find various ways to engage with their local communities, including volunteering, participating in local charitable events, leading community development boards, funding academic positions and scholarships, and engaging with local governments and non-governmental organizations. For example, our facility in Finland has participated in a program called MyTech, which introduces technology to middle school and high school students. The goal is to get more students to study technology, both at vocational school and university level, by introducing them to the wood processing industry.</p>
<p>Industry Groups</p>	<p>We ensure the interests of our stakeholders are appropriately represented through leadership roles in industry groups and thoughtful participation in global organizations.</p>

MyTech

Our facility in Finland has participated in a program called MyTech, which introduces technology to middle school and high school students. The goal is to get more students to study technology, both at vocational school and university level, by introducing them to the wood processing industry.

INNOVATION



Kadant's research and development (R&D) activities are the force behind the patented technologies and innovative products that we bring to process industries worldwide.

Between 2015 and 2019, our R&D spend was \$45 million.

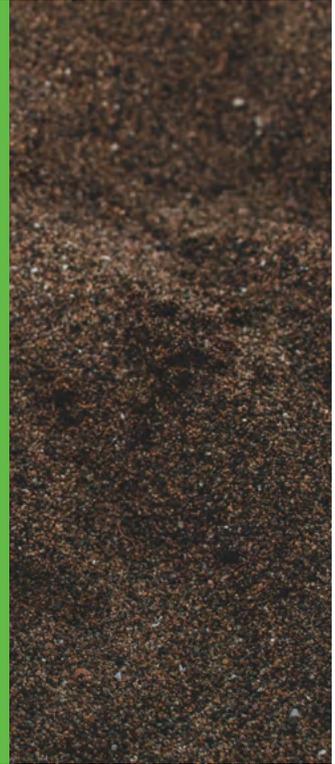
From our earliest years, we have focused on engineering products and processes that help our customers improve operating efficiency, reduce the consumption of resources and energy, and increase productivity.



Biodac® Granules Solve Multiple Problems with One Solution

In 1989, we introduced the Biodac® granular carrier, the first engineered, cellulose-based carrier for the agricultural industry. The Biodac carrier effectively delivers compounds into soil while also diverting significant amounts of our customers' sludge from the papermaking process away from landfill. Over the years, Biodac granular carrier innovations have included the creation of a dust-free version of the product and a fragranced product, expanded particle size combinations, and enhanced flowability.

Biodac®



Hydraflow™



Reducing Power Demands and Improving Pulp Quality

The Hydraflow™ continuous detrashing system has revolutionized the pulping industry and reinforced our position as the leader in brown fiber recycled pulping systems. With constantly increasing amounts of plastic and other contaminants in wastepaper furnish, the Hydraflow system has been designed to remove lightweight, low-density debris from our customers' pulper systems which can result in loss of production, wasted power, excessive downtime, increased wear, and lower pulp quality. Since its introduction in 2010, the recycled fiber pulping industry has adopted this detrashing concept as standard, and we have continued to innovate in this area with improved designs and updates to our product and control systems.



Dryer Management Systems

Our Dryer Management System® (DMS) control technology is a smart and connected product that controls the dryer section of a paper machine. The DMS control technology continuously optimizes the dryer system set points and controls the paper machine dryer section. Steam pressures and flows are managed under all machine operating conditions, including sheet breaks, grade changes, and start-ups. As a result, energy utilization is optimized and steam consumption is reduced. At one installation, the DMS control technology reduced steam consumption by 4,500 pounds per hour, equivalent to more than 10,000 gallons of water savings per day, which resulted in \$360,000 in annual energy cost savings for the mill.

Engineering innovative products and processes is an intrinsic element of our culture. We are committed to focusing on our customers' wants and needs, and innovation is how we deliver on this commitment.

In 2020 and in the decades ahead, we realize research and development will grow in importance across our various manufacturing industries. We stand ready to deliver innovative solutions for our customers, continuing a tradition that our businesses began over 100 years ago.





Wes Martz

President, Kadant Johnson LLC



Which environmental, social, and governance (ESG) issues affect your role at Kadant?

What we do has significant environmental benefits. The products and technologies we create have a positive impact on the earth's resources by helping our customers consume less energy, less fuel, and fewer raw materials—all of which provides them savings on costs as well.

Which ESG issue do you think is the most important to your stakeholders and how is Kadant addressing this issue?

Our customers turn to us to help them reduce their use of energy, raw materials, fuel, and other inputs, while our employees want to know that we recognize our responsibility to protect the environment. Therefore, we connect our products to the earth's natural resources to communicate to our customers and employees the value that we bring to the world.

Which ESG issue does Kadant need to begin addressing?

We could do a better job of communicating our sustainability story. For example, because we are a major player in the forest products industry, I think there are assumptions about how we operate, many of which are not accurate. What we do is enable our customers to make much better use of natural resources and energy.

What is one lesser-known aspect of Kadant's sustainability efforts that you are proud of?

Our stakeholders probably aren't fully aware of our involvement in circular processes. Take our packaging markets, for example. We're involved every step of the way, from the making of the box from recycled fibers, the recycling of the box through our balers, the deconstruction of the box through our pulpers, and the repurposing of the fibers into new boxes and the sludge into carrier granules. So just within the packaging sector we support a complete cradle-to-cradle circle.

EMPLOYEES

Training *and* Education

Continuous education is a top priority for Kadant. We understand the value that continued training and education brings to the company and we invest heavily in this area. We know how important it is for our workforce to have access to learning at every stage of their career. We also recognize that investment in our employees makes the communities in which we operate stronger and more resilient.

Learning Leadership

Leadership is a skill that can be learned and strengthened throughout life. Our leadership teams—from young leaders to seasoned executives—participate in leadership development programs, including coaching and personalized development plans, to continually learn from experts and each other. By cultivating our leaders, we are ensuring executive strength well into the future.





Community Partnerships to Enhance Learning

Staying abreast of changes in the industry is a focal point of the learning environment at our material handling business, which has partnered with local community colleges to develop a class for its production employees to enhance their skills on advanced computer numerical control (CNC) machines. Such key trainings, which address evolving workforce demands, foster growth for both the individual employee and for our business.

Ongoing learning takes many forms across our company to best meet the needs of our employees and our business. For one employee, professional development may involve external technical training, professional certification, or advanced degree reimbursement, while another employee may seek apprenticeship, leadership development, or management coaching. These opportunities enable us to develop employees who are eager to advance their skills and grow in their career. Encouraging their growth through education is a path toward long-term organizational sustainability.

Academic Scholarship Programs

Kadant supports a variety of academic institutions in the communities where we work. For example, we established the Linwood G. (Woody) Tyler Memorial Scholarship at Miami (Ohio) University's College of Engineering and Computing, in honor of a former long-serving employee. This scholarship, first awarded in 2016, and our sponsorship of the university's Paper Science and Engineering Foundation, enables us to develop future contributors to the pulp and paper industry, as well to support a local university and potentially identify future employees of Kadant.





KADANT

Health, Safety, *and* Wellness

Manufacturing operations demand diligent focus and management to ensure personnel safety. Our employees include welders, forklift operators, and machinists, among many others skilled tradespeople. We work to minimize the risks associated with the tasks our employees perform, and we take our responsibility for our employees' health and safety very seriously.

We are proud to report that in 2019, with over approximately four million employee hours worked, we had zero fatalities and a low level of recordable injuries across six continents and 19 major manufacturing locations. Our total recordable incident rate

0

There were zero fatalities across six continents and 19 major manufacturing locations in 2019.

(TRIR) of 3.1 is nearly 10% below the industry average (3.4) across manufacturers in the U.S. Workplace incidents are investigated and our safety teams work to correct or improve the working environment so an incident will not be repeated.

Our commitment to our employees' safety begins with extensive start-up training based on the requirements and conditions of each specific manufacturing site. The Kadant "safety-first" culture is supported with ongoing internal and third-party training, mandatory personal protective equipment provided by Kadant, established and enforced policies, dedicated and trained safety officers and committees, continual monitoring of safety protocols, analysis of reported "near-miss" incidents, routine safety inspections and drills, and the reporting and investigation of incidents.

3.1
TRIR

Nearly 10% below industry average.

Since 2016, our Saltillo, Mississippi location has achieved over

1,600,000

CONTINUOUS
HOURS OF
WORK

without a lost time injury.



Greater Safety Means Greater Cost Savings

Our facilities have had comprehensive safety programs in place for decades. These programs include safety committees comprised of representatives from different functional areas. During meetings, committees identify safety concerns and ensure they are addressed, and report up to the senior management team.

Getting an Outside Perspective

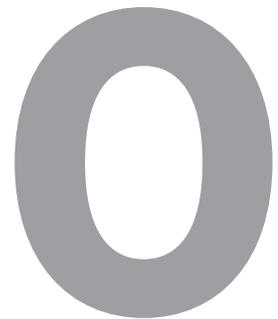
We use third-party safety consultants to perform trainings for shop employees. Included in these training visits is a walk around the factory's production floor in search of infractions or deviations from accepted standards, which observations are reported to the applicable safety committee for further action.

Additionally, employee health is a priority for Kadant. We empower our employees to achieve and maintain their health through comprehensive health insurance programs and other wellness initiatives at various locations that encourage our workers to take advantage of preventive health screenings, fitness opportunities, and vaccinations.

We recognize the strength of our people, many of whom regularly take on physically challenging work in connection with their positions, and we answer their dedication with the appropriate level of protection.

Equal Opportunity *and* Non- Discrimination

Kadant is an equal opportunity employer and we work hard to ensure the diversity of our organization. Our employee handbooks and Code of Business Conduct and Ethics affirm that we will afford equal opportunities in accordance with applicable laws for employment to all individuals of any race, color, religion or belief, sex, sexual orientation, gender identity or expression, marital or civil partner status, nationality, ethnic or national origin, disability (including but not limited to disabled veteran or veteran of Vietnam era status), age, and any other characteristic protected by applicable law, with due regard to an individual's relative qualifications and abilities. In 2019, there were no judgments of discrimination against us.



In 2019, there were no judgments of discrimination against us.



Dara Mitchell, Senior Vice President of Corporate Development; **Jordan Comeau**, Business Analyst

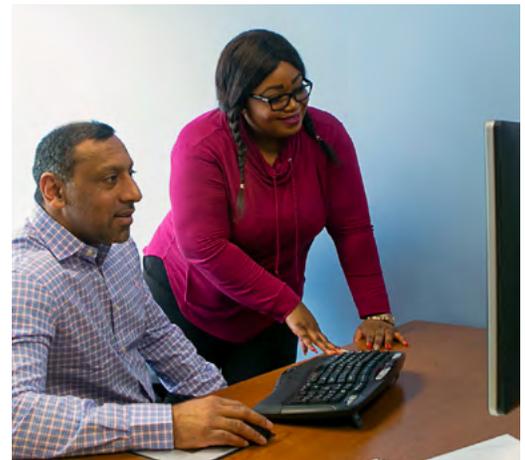


Angela Hamilton, QA Manager, Three Rivers, MI Facility



Laura Nadeau, Senior Tax Manager; **Ellen Chen**, Senior International Tax Manager; **Tom Martin**, Vice President, Tax

Technical and engineering-based businesses have been historically male dominated. However, we are pleased with the progress made with respect to gender diversity, particularly with our management team and Board. Our Chief Accounting Officer, Senior Vice President of Business Development and General Counsel are women. We are also cognizant and sensitive to the issue of pay equity. Some of our businesses conduct a review of pay equity by external consulting companies annually. They set the range for salaries, ensuring that employees are paid based on their roles and responsibilities.



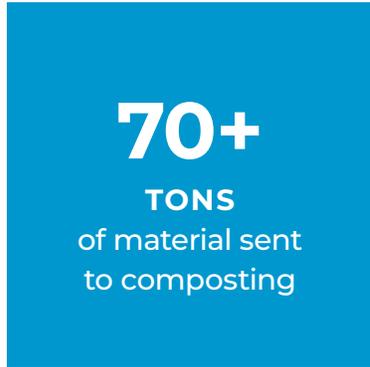
Bilal Mehmood, Vice President and Chief Technology Officer; **Jacqueline Oppong**, Information Security Manager

ENVIRONMENT

Protecting the environment is important to us. By far, we believe our most significant opportunity to lessen our environmental impact is by delivery of products that allow our customers to reduce waste and energy use and maximize yield from the natural resources that they use. We are particularly interested in how our business is affected

by climate change, as we have seen its impact in some of our markets. For example, our wood processing business recently experienced changes due to two notable trends in the Western North American forestry industry: the spread of the mountain pine beetle which attacks and kills various trees and the increase in the size and number of wildfires in the region. Both of these phenomena may be influenced by climate change.

Our enterprise affects the environment in a variety of ways, and we are vigilant in monitoring and striving to reduce our impact. We have a responsibility to develop products that meet our customers' needs in this changing marketplace, while minimizing our contributions to global climate change. By shifting the market toward greater efficiency and the use of more renewable resources, we are playing our part in protecting the environment and ensuring a more sustainable future.



Climate Change, Energy, *and* Emissions

We address energy use in two primary ways: by decreasing the energy demands in our own operations and by lowering the energy requirements of the equipment we manufacture.

Steps to Reduce Our Impact

We have taken a variety of steps to minimize our energy usage and reduce the resulting greenhouse gas emissions. In most of our facilities, we have switched to LED lighting fixtures, optimized the heating, ventilating, and air conditioning systems, and upgraded air compressors. At our facility in Jining, China, we deployed larger, more powerful, and more efficient air handling equipment. In recent years, our Three Rivers, Michigan facility completed large-scale lighting retrofits, replaced boiler controls, and replaced air compressors and motors to achieve greater efficiency and cost savings.

Our efforts to conserve our own energy usage extend beyond the typical actions of upgrading lighting or optimizing HVAC equipment. At our location in Bury, UK, through innovation improvements, we increased the efficiency of the machine press that produces composite materials, enabling it to yield more finished composites for the same energy per unit usage. This improvement has also helped grow our core composite blade business by nearly 10% year on year for the past three years.

Moving forward, we will continue to track these savings at our facilities and expect to continue to invest in new systems to reduce our energy usage.

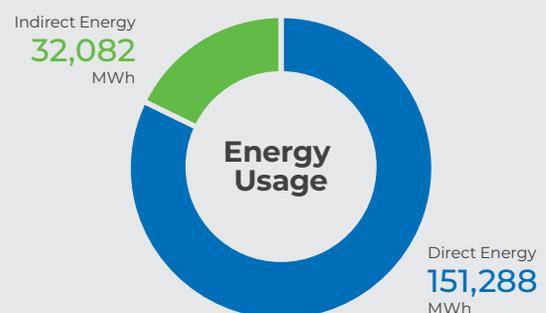
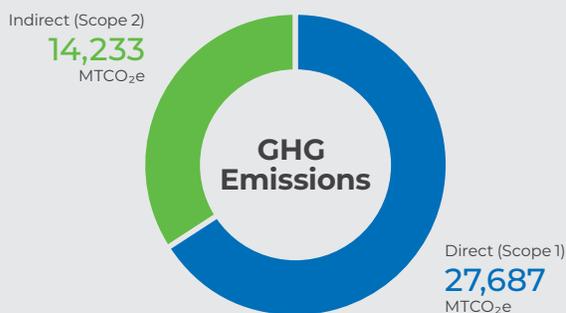
Energy efficiencies and improvements in Bury, UK grew our core composite blade business by nearly

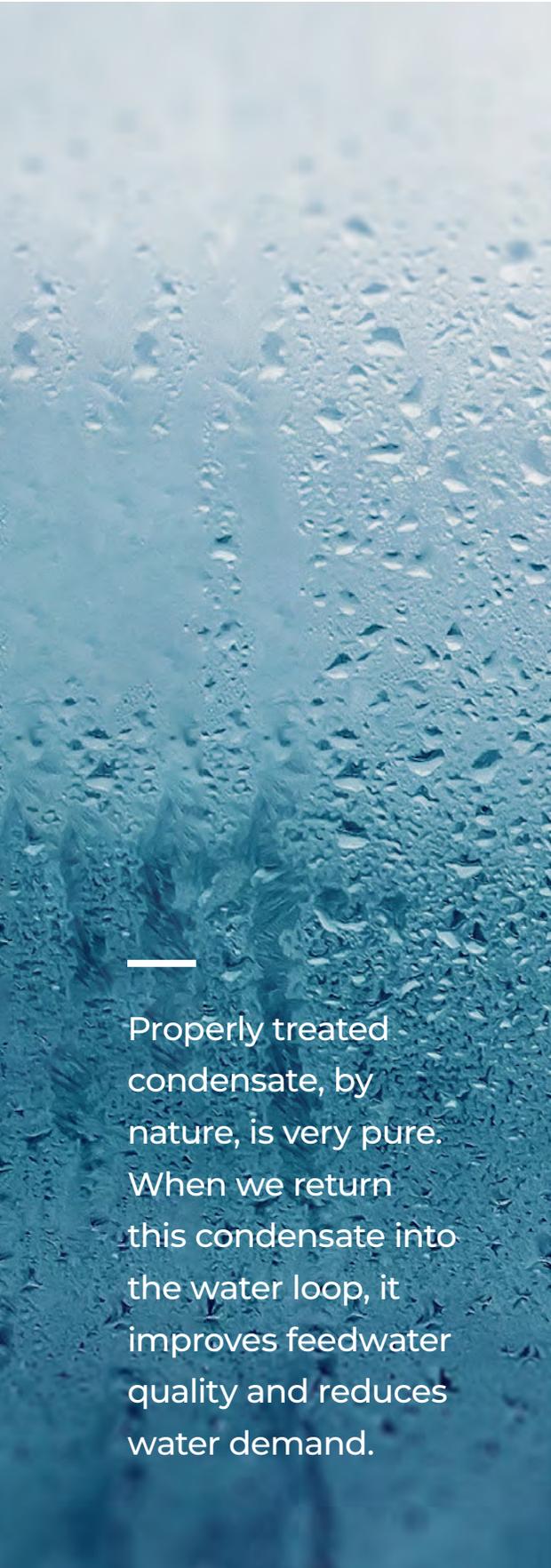
10%
YEAR ON YEAR
for the past three years.

Our Performance

In this report, we present the first compiled data on our energy usage and the resulting greenhouse gas emissions. We look forward to presenting our progress on future reduction efforts.

Activities	Performance Indicator	Unit	2019	
Energy	Electricity	MWh	31,832	
	Building or process heating	Natural gas, oil	MWh	146,031
	Building district heating	District energy	MWh	250
	Generators and forklifts	Diesel and propane	MWh	2,088
	Vehicles	Diesel and gasoline	MWh	3,169
Total Energy Usage		MWh	183,370	
GHG	Building electricity	MTCO ₂ e	14,177	
	Building or process heating	MTCO ₂ e	26,452	
	Building district heating	MTCO ₂ e	56	
	Generators and forklifts	MTCO ₂ e	466	
	Vehicles	MTCO ₂ e	769	
Total GHG Emissions		MTCO₂e	41,919	
GHG	Direct (Scope 1)	MTCO ₂ e	27,687	
	Indirect (Scope 2)	MTCO ₂ e	14,233	





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Properly treated condensate, by nature, is very pure. When we return this condensate into the water loop, it improves feedwater quality and reduces water demand.

Impact of Our Products

Our energy and greenhouse gas-related impact stems from the energy requirements of the equipment and products we manufacture. Although we produce a wide range of equipment and products with varying energy requirements, we design our products to optimize various industrial processes and make them more efficient. In addition, our engineers who service the equipment and products after deployment strive to ensure that our products are optimally deployed to minimize their energy requirements during operation. The end result is that our equipment and products help our customers achieve their own sustainability objectives.

Many of our products offer distinct energy efficiency advantages. For example, our steam control systems automatically and continuously control steam usage in paper machine dryers to create a stable and efficient drying process. The system monitors multiple operating conditions including grade, speed, and moisture content in the paper machine to optimize paper or board production, particularly in the more energy-intensive phases of production. The control system logic actively measures various operating parameters and allows the operator to adjust drying capacity while keeping the system in balance.

We have also developed several products that allow us to capture waste heat to reuse, and warm up the input water for steam production, reducing the need for heating fuel. Moreover, using this hot condensate offers other advantages. Properly treated condensate, by nature, is very pure. When we return this condensate into the water loop, it improves feedwater quality and reduces water demand, which in turn lowers pre-treatment costs and results in more reliable and efficient boiler operation.

Kadant Eco (Solar) line of trash compactors offer users the advantage of zero energy costs, no need for a nearby power main, and carbon footprint reductions.



Our teams also work closely with customers to optimize the use of our products after they are installed. In South America, we realized that a paper machine at a customer location in the southern part of Chile had been upgraded with hardware that was not properly integrated into the customer's complete system. To fix this issue, our engineers installed new high-efficiency components that had been correctly matched to the equipment and optimized the control systems to manage the new hardware. The result was a much more efficient piece of equipment that showed a quick return on the financial investment, which benefitted the customer and reduced the environmental impact of operating the system.

Our teams work closely with customers to optimize the use of our products after they are installed.

Materials Used

Similar to energy usage, Kadant has two significant approaches to material usage, which are the materials required to manufacture our products and the material-processing efficiency that our products enable.

Key Materials

The primary components of many of our products are steel, aluminum and other common metals, limited amounts of plastic, and some electrical elements. Metals are highly recyclable, and therefore much of the metal we source already has a high percentage of recycled content.

Our use of durable materials is also beneficial from a sustainability perspective. As an example, at one facility we have replaced regular steel tubing in machines with longer-lasting, more corrosion-resistant stainless-steel material. While this material can be slightly more expensive, the increased durability can make the component last far longer, outweighing the additional expense. In other cases, we have found we can use less material in our products without sacrificing either durability or longevity. We are always looking for such opportunities.

At another location, we replaced a heavier-grade of material with a thinner grade in one of our products. Not only did it provide equivalent performance, we were also able to use the leftover material from the construction of a different component to make the new part, instead of using fresh stock material. This approach allows us to reduce overall material consumption and the waste generated in the manufacturing process of this equipment.

Efficiencies for Our Customers

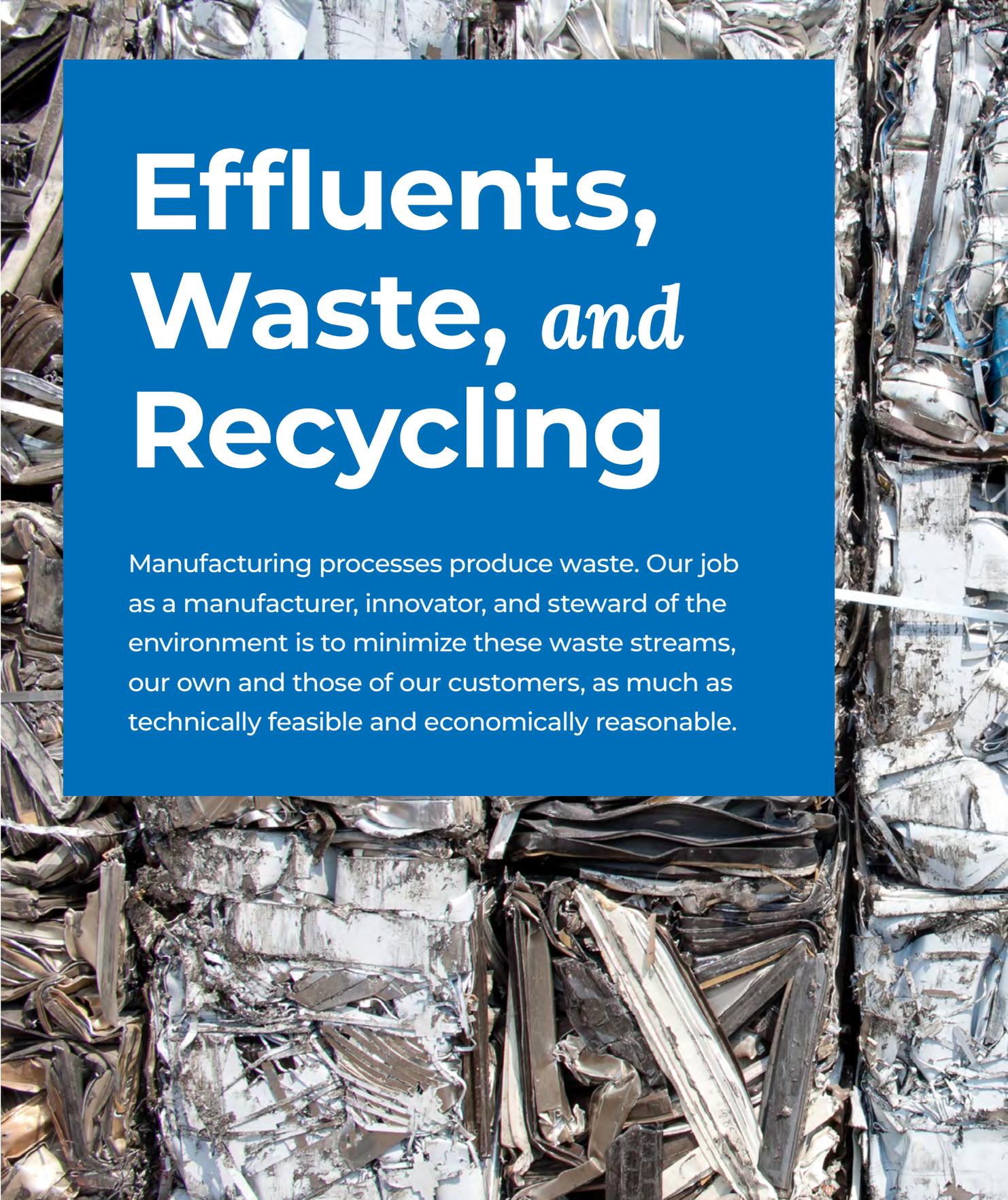
Our impact is even greater in the material usage efficiencies that our equipment and products offer to our customers. Many of our products are focused on the fiber industry, including customers that recycle paper and manufacture construction materials such as OSB. For example, the equipment we manufacture and provide to our customers has processed more than one billion tons of paper for recycling over the past ten years. These materials are essential to the global economy and play a central role in a variety of industries and processes. Historically, these products have been derived from ecologically valuable older-growth timber. However, due to our innovative design and technology, our products offer our customers the option of using fast-growing, more renewable fiber resources in their own processes.

For example, our debarkers maximize the amount of usable fiber from a given tree, increasing the yield from an individual log and minimizing the waste generated from its processing. This in turn enables the use of smaller, faster growing trees to produce the fiber needed for OSB, which is an essential material in the U.S. home construction industry. The bark that our debarkers strip from the logs is primarily used for biomass energy production at remote mill sites and is also sold as gardening supplies.

Our debarkers maximize the amount of usable fiber from a given tree, which enables the use of smaller, faster growing trees to produce the fiber needed for oriented strand board, an essential material in the U.S. home construction industry.

Ultimately, our competitive advantage is that the products we manufacture enable our customers to be more efficient and to produce more with less materials.





Effluents, Waste, *and* Recycling

Manufacturing processes produce waste. Our job as a manufacturer, innovator, and steward of the environment is to minimize these waste streams, our own and those of our customers, as much as technically feasible and economically reasonable.



Minimizing Manufacturing Waste

Within our own operations, our efforts to reduce waste and increase recycling and reusability are extensive. We recycle waste metal, wood, and cardboard as a normal practice. In addition, we have found business advantages to reducing waste. Our supply chain groups understand the raw material requirements for each product line, evaluate scrap production, and adjust purchasing as required. The result is less material is purchased, less waste is produced, and the reduced amount of scrap that is produced can in turn be recycled. In 2019, we recycled over 50 tons of aluminum, copper, and stainless steel across all of our manufacturing operations.

For example, the primary source of wastewater at our Bury, UK facility's operation is from the composite steam press in the form of excess condensate and cooling water. A new water recovery system was installed in 2016 to check and capture this wastewater and recycle it through the cooling tower.

50
TONS of aluminum,
copper, and
stainless steel
recycled in 2019



Reducing Customer Waste Streams

Our equipment and products reduce the waste streams of our customers, making their processes more efficient and positively impacting their business model. For example, the equipment provided by our stock-preparation business is deployed at the front end of a paper mill, which is where our customers take old corrugated containers and recycle it for use in their processes. Our facility in Wuxi, China provides filtration products, which help customers reuse or recycle water in their facilities, and our M-Clean™ product line from our Huskvarna, Sweden facility cleans deposits from paper production, allowing customers to use more recycled paper in their production processes.

At our Vitry-le-François, France facility, we developed an award-winning compact pulping system that enables the recycling of used beverage containers (UBC), such as coffee cups and milk cartons. The system provides highly desirable fiber for our customers which would historically have been lost, enabling them to achieve greater sustainability in their recycling processes. The addition of fiber recovered from UBC by this novel pulping process can also enable our customers to run their paper machines at higher speeds, saving on steam consumption and reducing their starch input.

Our equipment and products reduce the waste streams of our customers, making their processes more efficient and positively impacting their business model.

We have even found ways to use waste produced by some of our customers to produce value-added products that contribute to our revenue. For example, our fiber-based products business recovers papermaking sludge from our customers and converts it into an absorbent granule that we sell. We are able to divert approximately 150,000 tons of sludge produced by our customers' paper production process from landfill disposal every year.

Moving forward, we will continue to track our waste reductions and expect to continue to invest in new systems to further reduce our manufacturing waste and in innovation to further help reduce our customers' waste.

Kadant diverts
~150,000
TONS

of sludge from our customers' paper production process from landfill disposal every year.



Environmental Compliance

Each of our facilities is unique, with manufacturing approaches tailored to the specific products it produces or services it provides. The management team of each facility is ultimately responsible for ensuring that its operation meets or exceeds the requirements of applicable laws and regulations for environmental performance. In 2019, we were not subjected to fines or sanctions for non-compliance with environmental laws or regulations.

GRI CONTENT INDEX

The Global Reporting Initiative (GRI) provides the world's most widely used framework for sustainability reporting.

The GRI Standards offer a structured format to coherently and comprehensively share information about material issues, performance metrics and the management of sustainability-related issues within the organization. This report has been prepared in accordance with the GRI Standards: Core option. This report was prepared using the 2016 version of the General Disclosures and the Management Approach disclosures of the GRI Standards. The reporting principles for defining report content and quality have been applied throughout the information collection and report development process. This report is structured around disclosures related to Kadant's material issues. We provide data related to each material topic, and sought to provide as much data as was available. This is Kadant's first sustainability report.

Kadant's 2019 Corporate Sustainability Report covers the reporting period of calendar year 2019. For the Materiality Disclosures Service, 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. Data presented in the report represents all wholly owned Kadant operations that were able to provide data for any given topic. We strive to improve data collection moving forward.

For questions regarding the report, contact:

**Stacy Krause,
General Counsel,
Kadant**

stacy.krause@kadant.com



GRI 101: Foundation 2016**GRI 102: General Disclosures 2016****Organizational Profile**

102-1	Name of the organization	Kadant Inc.
102-2	Activities, brands, products, and services	Available online at kadant.com
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 kadant.com
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 high-value, critical components and engineered systems used in process industries worldwide. 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 kadant.com
102-7	Scale of the organization	Kadant is headquartered in Westford, Massachusetts, with 19 major manufacturing locations and approximately 2,800 employees in 20 countries around the world. Over the last 10 years, we have delivered consistent growth — 212% of revenue growth from 2009 to 2019; from \$226M in 2009 to \$705M in 2019.
102-8	Information on employees and other workers	Kadant has approximately 2,800 employees worldwide. At our corporate headquarters, our employees are 57% male and 43% female. For more information on our workforce see page 34.
102-9	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, composites and by-products from the production of paper.

Organizational Profile continued

102-10	Significant changes to the organization and its supply chain	On January 2, 2019, we acquired Syntron Material Handling Group, LLC and certain of its affiliates (SMH) pursuant to an equity purchase agreement dated December 9, 2018, for approximately \$176.9 million, net of cash required. SMH is a leading provider of material handling equipment and systems to various process industries, including mining, aggregates, food processing, packaging, and pulp and paper.
102-11	Precautionary Principle approach	The precautionary principle does not explicitly guide decisions made by Kadant.
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, which is 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)

Strategy

102-14	Statement from senior decision-maker	See page 4.
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Ethics and Integrity

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 kadant.com
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Governance

102-18	Governance structure	Kadant's Corporate Governance Guidelines and the Committee Charters of the Board of Directors are available online at kadant.com
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Stakeholder Engagement

102-40	List of stakeholder groups	See pages 28–29.
102-41	Collective bargaining agreements	47% of our employees are covered by a workers' council or collective bargaining agreement.
102-42	Identifying and selecting stakeholders	See pages 28–29.

Organizational Profile continued

102-43 Approach to stakeholder engagement See pages 28–29.

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 27.

Reporting Practice

102-45 Entities included in the consolidated financial statements All data presented in the report represents all Kadant operations, including directly and indirectly owned subsidiaries and joint ventures, unless explicitly noted otherwise. Also, see Annual Report on Form 10-K for the fiscal year ended December 28, 2019. Also see page 1 of our 2019 Annual Report on Form 10-K.

102-46 Defining report content and topic boundaries In order to prioritize the Corporate Responsibility (CR) issues that are most relevant for our business and stakeholders, we applied the principles and guidelines of the GRI Standards with the help of an external expert in 2019. 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 27; Material GRI topics 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 2019

102-51 Date of most recent report This is Kadant's first sustainability report.

102-52 Reporting cycle Annual

102-53 Contact point for questions regarding the report Stacy Krause, 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 54.

102-56 External assurance At this time, Kadant has decided to not seek external assurance for the report.

Topic-specific Disclosures**Material Topic: Economic Performance****GRI 103: Management Approach 2016**

103-1/ See page 62.

103-2/

103-3

GRI 201: Economic Performance 2016

201-1	Direct economic value generated and distributed	See Annual Report on Form 10-K for fiscal year ended December 28, 2019 at kadant.com
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Material Topic: Governance**GRI 103: Management Approach 2016**

103-1/ See page 62.

103-2/

103-3

Non-GRI Topic Specific Disclosure: Governance

Governance structure	Kadant's Corporate Governance Guidelines and the Committee Charters of the Board of Directors are available online at kadant.com . Also see General Disclosure 102-18 for more information.
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Material Topic: Ethics and Compliance**GRI 103: Management Approach 2016**

103-1/ See page 62.

103-2/

103-3

GRI 205: Anti-Corruption 2016

205-3	Confirmed incidents of corruption and actions taken	See page 17.
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GRI 419: Socioeconomic Compliance 2016

419-1	Non-compliance with laws and regulations in the social and economic area	See page 17.
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Material Topic: Innovation

GRI 103: Management Approach 2016

103-1/ See page 63.

103-2 /

103-3

Non-GRI Topic-specific Disclosure: Innovation

R&D Expenses as percentage of revenue	R&D expenses in 2019 represented 2% of our revenue in fiscal year 2019.
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Material Topic: Health, Safety and Wellness

GRI 103: Management Approach 2016

103-1/ See page 63.

103-2 /

103-3

GRI 403: Occupational Health and Safety 2016

403-2	Work-related injuries	62 recordable injuries in 2019. See pages 37–38 for further information.
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Material Topic: Training and Education

GRI 103: Management Approach 2016

103-1/ See page 63.

103-2 /

103-3

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.	Generally our full-time employees receive annual performance reviews.
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Material Topic: Equal Opportunity and Non-Discrimination

GRI 103: Management Approach 2016

103-1/ See page 64.
 103-2 /
 103-3

GRI 405: Diversity and Equal Opportunity 2016

405-1 Diversity of governance bodies and employees See pages 10 and 41.

GRI 406: Non-Discrimination 2016

406-1 Incidents of discrimination and corrective actions taken In 2019, there were no judgments of discrimination at any of our businesses.

Material Topic: Energy and Emissions

GRI 103: Management Approach 2016

103-1/ See page 64.
 103-2 /
 103-3

GRI 302: Energy 2016

302-2 Energy Consumption within the organization See page 45.

GRI 305: Emissions 2016

305-1 Direct (Scope 1) GHG emissions See page 45.

305-2 Indirect (Scope 2) GHG emissions See page 45.

Material Topic Materials Used

GRI 103: Management Approach 2016

103-1/ See page 64.
 103-2 /
 103-3

GRI 301: Materials 2016

301-1 Materials used by weight or volume See page 26.

Material Topic: Effluents, Waste and Recycling

GRI 103: Management Approach 2016

103-1/ See page 64.
103-2 /
103-3

GRI 306: Effluents and Waste 2016

306-2 Waste by type and disposal method See pages 26 and 50–51.

Material Topic: Environmental Compliance

GRI 103: Management Approach 2016

103-1/ See page 64.
103-2 /
103-3

GRI 307: Environmental Compliance 2016

307-1 Non-compliance with environmental laws and regulations In 2019, no Kadant businesses were subjected to fines or sanctions for non-compliance with environmental laws or regulations.

Material Topic: Supply Chain Sustainability

GRI 103: Management Approach 2016

103-1/ See page 62.
103-2 /
103-3

Non-GRI Topic-specific disclosure: Supply Chain

Supply Chain See page 18 and General Disclosure 102-9 for more information.

Management Approaches

Governance and Policies

As a public company and steward of our shareholders' financial assets, ethics and compliance with our policies and applicable laws are particularly important at Kadant. Compliance is managed by our businesses' management teams in cooperation with our corporate legal department. 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.

The corporate legal department provides an annual report related to compliance to the Board of Directors, as well as 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 strategy. In the reporting year, our management approach proved to be 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 for countries where our suppliers operate. We manage these risks and regulatory issues in our supply chain primarily through our Supplier Code of Conduct, which is complimented by other relevant policies, e.g. Kadant Code of Business Conduct and Ethics. The Supplier Code of Conduct is managed by our individual geographic businesses across the globe. 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 for our executives 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. The Board's Compensation Committee has 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 them have a dedicated R&D 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 trainings. In our manufacturing facilities safety trainings and trainings for operating advance machinery are of particular importance. As an employer of choice, we need to keep all our employees engaged, motivated, and invested to maximize job satisfaction and performance. This in turn 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 respective 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 accordingly.

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, less production delays, and better morale. It also increases our attractiveness as 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 employees in safety handbooks.

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, monthly 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.

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 where 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. Energy data is monitored by each business for cost management purposes. This is the first year that global emissions have been calculated. Once a baseline is established, Kadant will consider setting goals where appropriate.
- 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.

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