



KADANT

2022 CORPORATE
SUSTAINABILITY
REPORT



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 December 31, 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 and pandemics; 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; 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; soundness of financial institutions; fluctuations in our share price; and anti-takeover provisions.

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A Message from the CEO



Looking back three years since the beginning of the pandemic, a great deal has changed in our world. One thing, however, that has remained constant is **Kadant's steadfast commitment to providing technologies**

and solutions that drive Sustainable Industrial Processing. Our customers rely on us to help them advance their sustainability initiatives with innovative products and engineered solutions that power resource-efficient manufacturing.

Every day, Kadant employees around the world seek new ways to deliver exceptional value for all our stakeholders in a sustainable and responsible manner. From technical innovations and process improvements to workforce development and community engagement programs, our collaborative and team-based culture works to achieve outcomes that matter most.

During the past year, we made progress in advancing our internal sustainability initiatives while continuing to make a positive impact on the use and conservation of Earth's natural resources. In addition, we established a task force to identify climate-related risks and opportunities as well as a general overview of ESG risk management at Kadant. This led to an extensive review of our operations and the impact various climate scenarios could present to our customers and, subsequently, to our organization.

Additional areas where we made notable progress during the year include:

- + Achieved net-zero Scope 2 emissions through sourcing renewable energy and the use of renewable energy credits
- + Initiated collection and reporting of Scope 3 emissions data
- + Engaged with suppliers that were assessed as higher ESG risk to strengthen their ESG programs
- + Named by Newsweek as one of America's Most Responsible Companies and America's Greatest Workplaces for Diversity

In this sustainability report, we highlight the ESG topics that are most important to our stakeholders and our key sustainability metrics along with an update to our GRI, UNGC, and SASB indices and, for the first time, have included a TCFD report.

I am proud of the results we delivered and the progress we continue to make on our corporate sustainability initiatives.

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

Jeffrey L. Powell
President and Chief Executive Officer

About Kadant

Kadant Inc. (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 3,100 employees in 20 countries worldwide. Our business strategy is centered around innovation, automation, and sustainability, which drives both our success and that of our customers.

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 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

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.



Highlights from 2022

At Kadant, we create our products 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.

Our focus on sustainability and innovation allows us to be a leader in the industry and continuously improve our business practices through collaboration with stakeholders.



Kadant was named one of **America's Most Responsible Companies** by Newsweek.



Kadant was named one of **America's Greatest Workplaces for Diversity** by Newsweek.



Key Metrics

EMPLOYEE
COUNT

3,100

MANUFACTURING
LOCATIONS

20

TOTAL RECORDABLE
INCIDENT RATE

1.87

ELECTRICITY USAGE
SOURCED FROM
RENEWABLES

100%

Updates on 2022 Goals

ENERGY



- + In 2022, we continued to source 100% of our electricity from renewable sources or through the purchase of renewable energy certificates for all our non-renewable energy usage.
- + We explored the technical and economic feasibility for onsite renewable energy generation at our various locations. We also engaged with local energy utilities about sourcing renewable energy directly from the grid. While renewable energy was not available from the utility company for every location, we found some locations' electricity was already renewably sourced or that it could be an option going forward. We have and will continue to assess other onsite renewable energy generation options, such as the installation of solar panels.

CLIMATE & GREENHOUSE GAS



- + As part of our 2022 goal, we quantified the relevant categories of Scope 3 emissions, helping to expand our baseline emissions to set future emission reduction goals.
- + We conducted our first climate-related risk assessment, including a scenario analysis, which can be found in our TCFD report in the appendix of this report.

SUPPLIERS



- + In 2022, we engaged with our top suppliers that were assessed as high risk from an ESG perspective in 2021 regarding their plans and processes for moving towards a more sustainable business model.

Our Goals for 2023

We are committed to continually improving our performance and setting meaningful sustainability goals. This coming year we will continue this commitment, and will set new targets, some focused on the long term, to reduce our impact on the planet and our engagement throughout our value chain.

In 2023



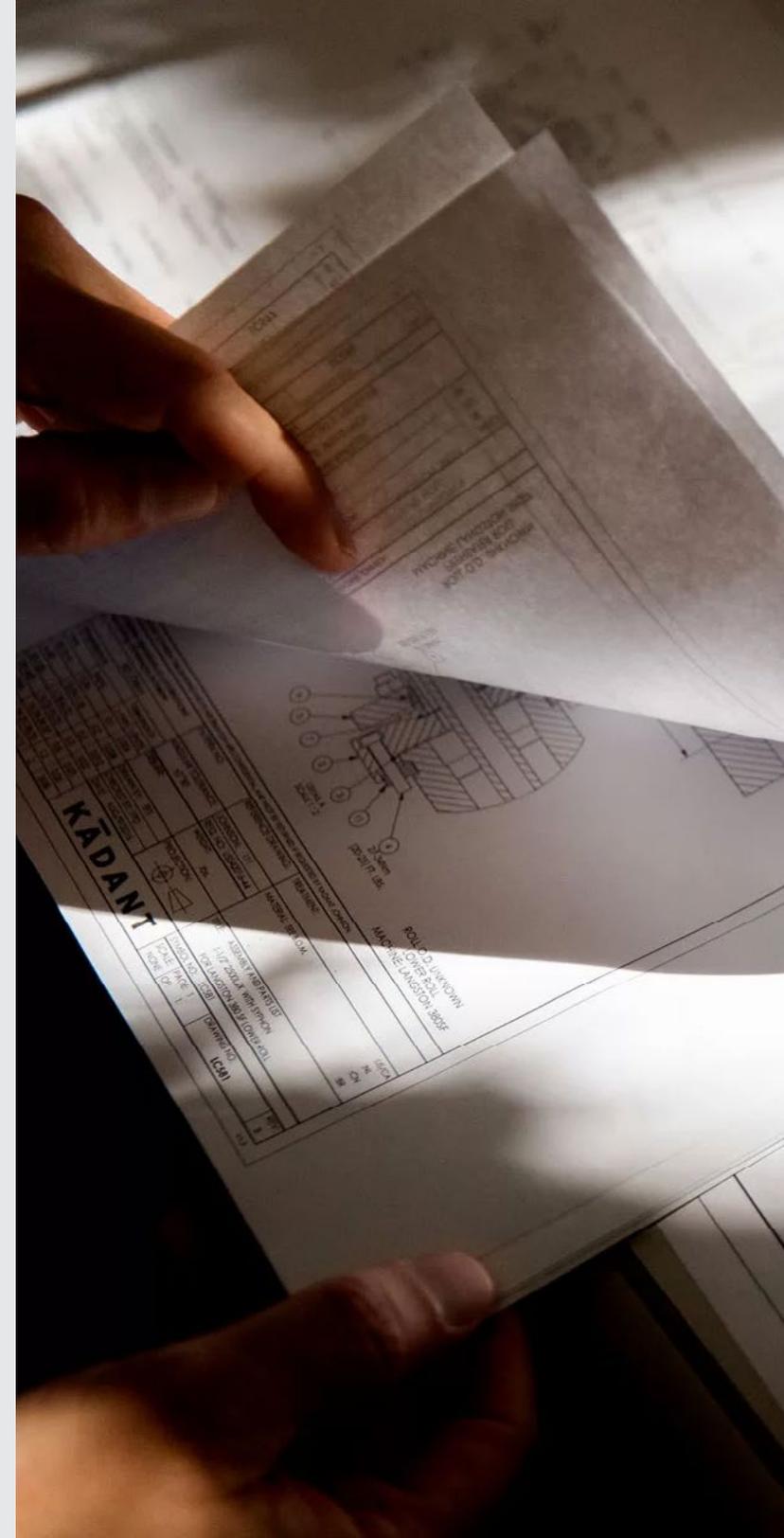
We will sign a commitment letter with the Science Based Targets Initiative (SBTi) that commits us to establishing near- and long-term Science-Based Targets. Once committed to SBTi, we will have two years to set formal emission reduction targets and goals aligned with the Paris Agreement's ambition of maintaining global temperature rise to 1.5°C.



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 and continue to explore options for onsite renewable energy generation.



We will engage with top suppliers regarding their climate impact and encourage them to set science-based emission reduction targets.



Corporate Governance

Ethics and Compliance

At Kadant, upholding our commitment to responsible governance, including the policies and procedures put into place to manage our actions and impacts, is of the utmost importance.

Our Board of Directors consists of six members, including two women, and four directors who qualify as independent according to the U.S. Securities and Exchange Commission and the New York Stock Exchange. There are four Board committees whose charters are publicly available at [Kadant.com](https://www.kadant.com).

- + Nominating and Corporate Governance Committee
- + Risk Oversight and Sustainability Committee
- + Audit Committee
- + Compensation Committee

ESG issues are explicitly under the purview of the Risk Oversight and Sustainability Committee, which is updated at least annually, and often more frequently, on relevant ESG performance and policy-related topics.

All Kadant employees, officers, and directors must comply with our company's Code of Business Conduct and Ethics. Our Ethics and Compliance Hotline allows for anonymous reporting directly to the most senior levels of management.

Our management annually reviews and certifies compliance with the Code of Business Conduct and Ethics, the Global Export Control Policy, the Insider Trading Policy, Anti-Harassment Policy, and Foreign Corrupt Practices Act Policy. Please see our [website](https://www.kadant.com) for a list of Kadant's public policies.



Supply Chain Sustainability

As a driver of Sustainable Industrial Processing, Kadant prioritizes promoting and encouraging ethical business and environmental performance throughout our value chain.

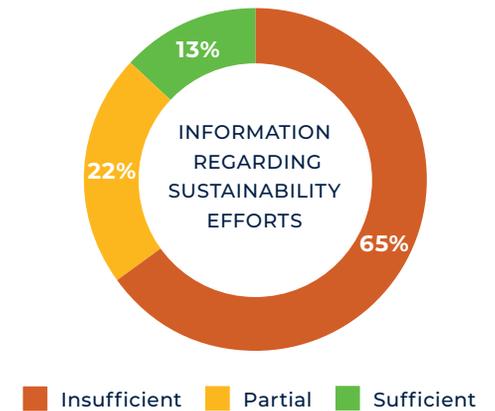
Beginning in late 2021, we undertook an effort to assess our supply chain for ESG related risks. We examined public documents for over 400 suppliers, representing 80% of our supply chain spend globally, for evidence of public disclosure on sustainability performance, applicable policies, quantitative goals, environmental management systems, and membership in relevant organizations.

Based on the results of that supply chain audit, we followed up with the suppliers that scored “red” or “yellow”, to provide additional information about their sustainability efforts. Based on this continued engagement, approximately ten

suppliers improved their rating from red to yellow, or yellow to green. We continue to actively engage with suppliers identified in our audit as high-risk to ascertain the risks they may represent and to encourage corrective actions to ensure risks are mitigated to our satisfaction.

In addition to this assessment, in 2021 and 2022 we sent our Global Supplier Code of Conduct to all suppliers across all of our subsidiaries, asking them to acknowledge receipt of the Code, and to certify their commitment to abide by its terms. The Global Supplier Code of Conduct can be found [here](#).

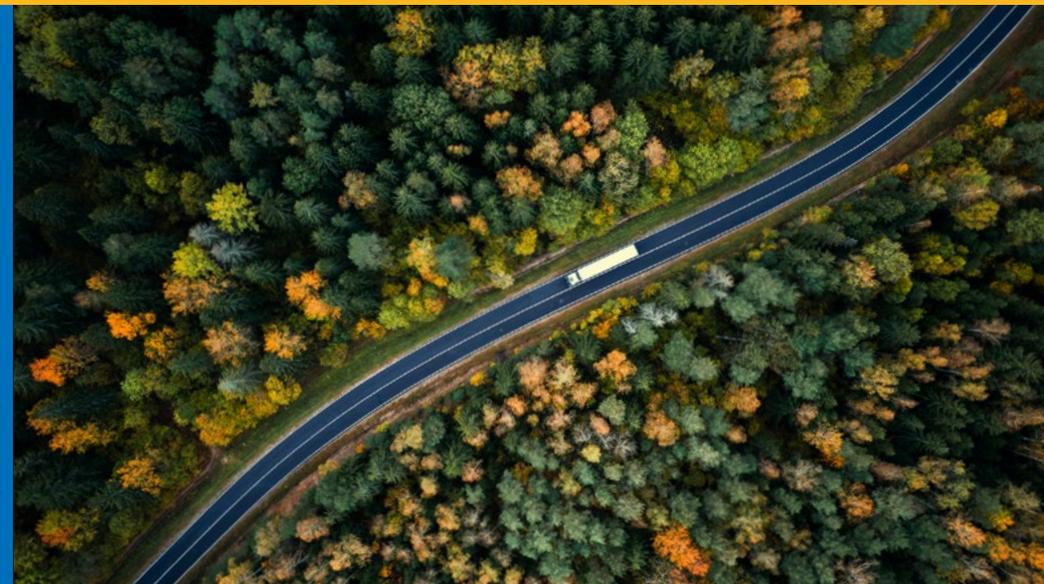
SUPPLIER ESG DISCLOSURE



SUPPLY CHAIN EFFICIENCY



To reduce the frequency of deliveries, our Anderson, South Carolina location is collaborating with suppliers to consolidate shipments to the site and **decrease the number of physical deliveries by 33%**. This will lead to efficiencies for our company and our suppliers, while simultaneously reducing the carbon footprint associated with truck deliveries.



Financial Performance

2022 was another record year for Kadant. Strong capital project activity in the first half of the year and robust aftermarket demand led to record revenue for the year. Revenue increased 15 percent to \$905 million, and gross margin increased to 43.1 percent.

For 2022, our GAAP diluted EPS increased 44 percent to a record \$10.35, and adjusted diluted EPS was up 18 percent to a record \$9.24. In 2022, net income increased 44 percent to a record \$121 million, and adjusted EBITDA increased 19 percent to a record \$189 million and represented a record 20.9 percent of revenue. Our global team performed exceptionally well under challenging conditions, and deserve a lot of credit for the results achieved in 2022. We will continue to transparently disclose and communicate our financial performance to our stakeholders.

Additional financial data for fiscal year 2022 can be found in our [Annual Report](#).



*Adjusted EBITDA (adjusted earnings before interest, taxes, depreciation, and amortization), adjusted EBITDA margin, and adjusted diluted EPS (adjusted diluted earnings per share) are non-GAAP financial measures that exclude certain items. A reconciliation of these financial measures to the most directly comparable GAAP numbers follows.

ADJUSTED DILUTED EPS* RECONCILIATIONAdditional financial data for fiscal year 2022 can be found in our [Annual Report](#).

	2018	2019	2020	2021	2022
Diluted EPS, as reported	\$ 5.30	\$ 4.54	\$ 4.77	\$ 7.21	\$ 10.35
Gain on sale of buildings, net of tax	–	–	–	(0.03)	(1.30)
Acquisition costs, net of tax	0.10	0.06	0.03	0.26	0.04
Impairment and restructuring costs, net of tax	0.11	0.17	0.19	0.08	0.11
Amortization of acquired profit in inventory and backlog, net of tax	0.02	0.32	0.04	0.34	0.03
Benefit plan settlement and curtailment losses, net of tax	0.09	0.55	–	–	–
Discrete tax items	(0.29)	(0.29)	(0.03)	(0.04)	–
Adjusted Diluted EPS*	\$ 5.34	\$ 5.36	\$ 5.00	\$ 7.83	\$ 9.24

ADJUSTED EBITDA* RECONCILIATION in millions

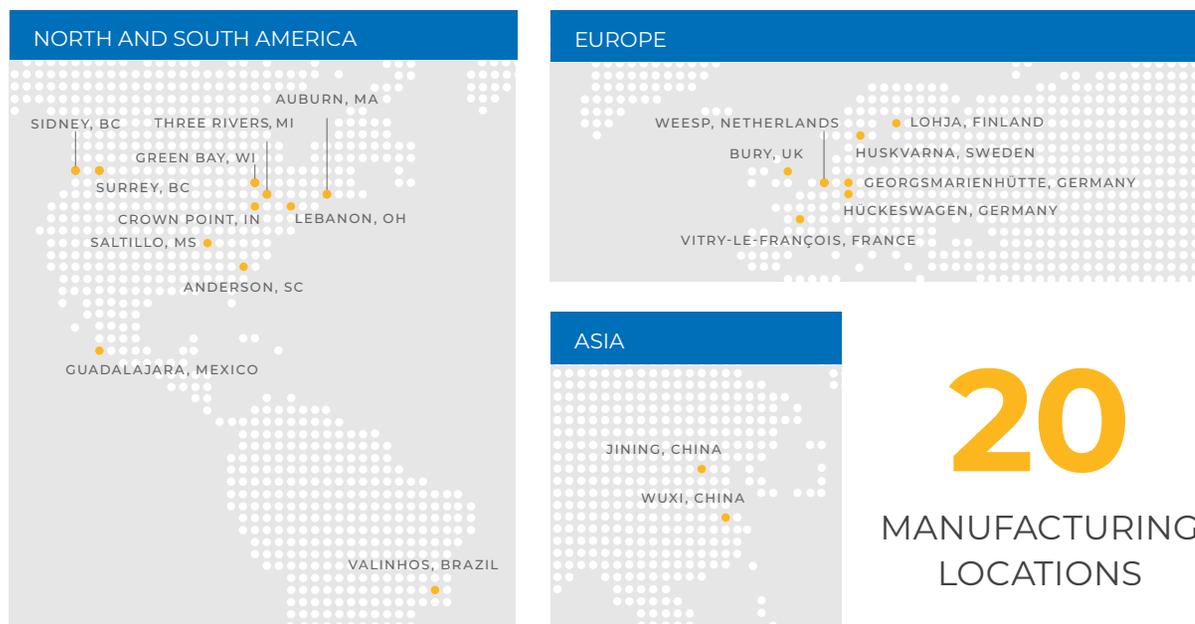
	2018	2019	2020	2021	2022
Net income attributable to Kadant	\$60.4	\$ 52.1	\$ 55.2	\$ 84.0	\$120.9
Net income attributable to noncontrolling interest	0.6	0.5	0.5	0.8	0.8
Provision for income taxes	18.5	16.3	17.9	27.2	43.9
Interest expense, net	6.7	12.5	7.2	4.6	5.6
Other expense, net	2.4	6.4	0.3	0.1	0.1
Operating income	88.6	87.8	81.1	116.7	171.3
Acquisition costs	1.3	0.8	0.5	3.6	0.7
Gain on sale of buildings	–	–	–	(0.5)	(20.2)
Indemnification asset reversals	–	–	–	–	1.3
Impairment and restructuring costs, net	1.7	2.5	3.0	1.0	1.3
Acquired profit in inventory and backlog amortization	0.3	5.0	0.5	5.6	0.5
Adjusted operating income*	91.9	96.1	85.1	126.4	154.9
Depreciation and amortization	23.3	31.0	30.8	33.0	34.2
Adjusted EBITDA*	\$115.2	\$ 127.1	\$ 115.9	\$ 159.4	\$ 189.1
Adjusted EBITDA Margin*	18.2%	18.0%	18.3%	20.3%	20.9%

*Non-GAAP financial measures. In addition to the financial measures prepared in accordance with generally accepted accounting principles (GAAP), we use certain non-GAAP financial measures, including adjusted operating income, adjusted diluted EPS, adjusted EBITDA and adjusted EBITDA margin. We believe these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, 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 measures 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 measures are 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 measures included in this report are 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 measures included in this report have limitations associated with their use as compared to the most directly comparable GAAP measures, in that they may be different from, and therefore not comparable to, similar measures used by other companies.

Stakeholder Engagement and Materiality

In 2019, Kadant 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).

While these topics remain germane to our performance and the interests of our stakeholders, we plan to revisit our material topics in 2023 to monitor for any changes and ensure we are focusing our efforts on the most relevant topics.



MATERIAL TOPICS

CORPORATE

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

EMPLOYEES

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

INNOVATION

- + Research and Development
- + Delivering Value to Customers

ENVIRONMENT

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

Our People

Health and Safety

At Kadant, our culture is based on responsible and safe practices, supported by an engaged and empowered workforce.

We prioritize the health and safety of our employees throughout all levels of operations, focusing on the manufacturing floor due to its inherently heightened risks. Each division develops and implements safety training programs for their employees based on job functions and safety risks specific to their processes and facilities.

In 2022, we had no fatalities, a total recordable injury rate (TRIR) of 1.87, and lost time injury rate (LTIR) of 1.18 across six continents and 20 manufacturing locations.

Our 2022 TRIR is 39% lower than our average TRIR of 3.05 over the past three years (2019-2021), even with a 7.1% increase in work hours. We ensure that all incidents that occur at our locations are investigated and addressed to prevent future incidents.

Annual Wellness

Over the past year, we implemented wellness programs across our United States locations. Our Free Employee Assistance program also offers free counseling sessions, legal advice, nicotine cessation programs, mental health, and addiction services to U.S.-based employees.



TRAINING AND EDUCATION

Each location is responsible for employee training and development, including sector- and job-specific training programs for their teams. These include technical trainings, trainings regarding leadership and career development, and health and safety trainings. We ensure comprehensive trainings across all locations as it is crucial for continued success as a company.



Innovation

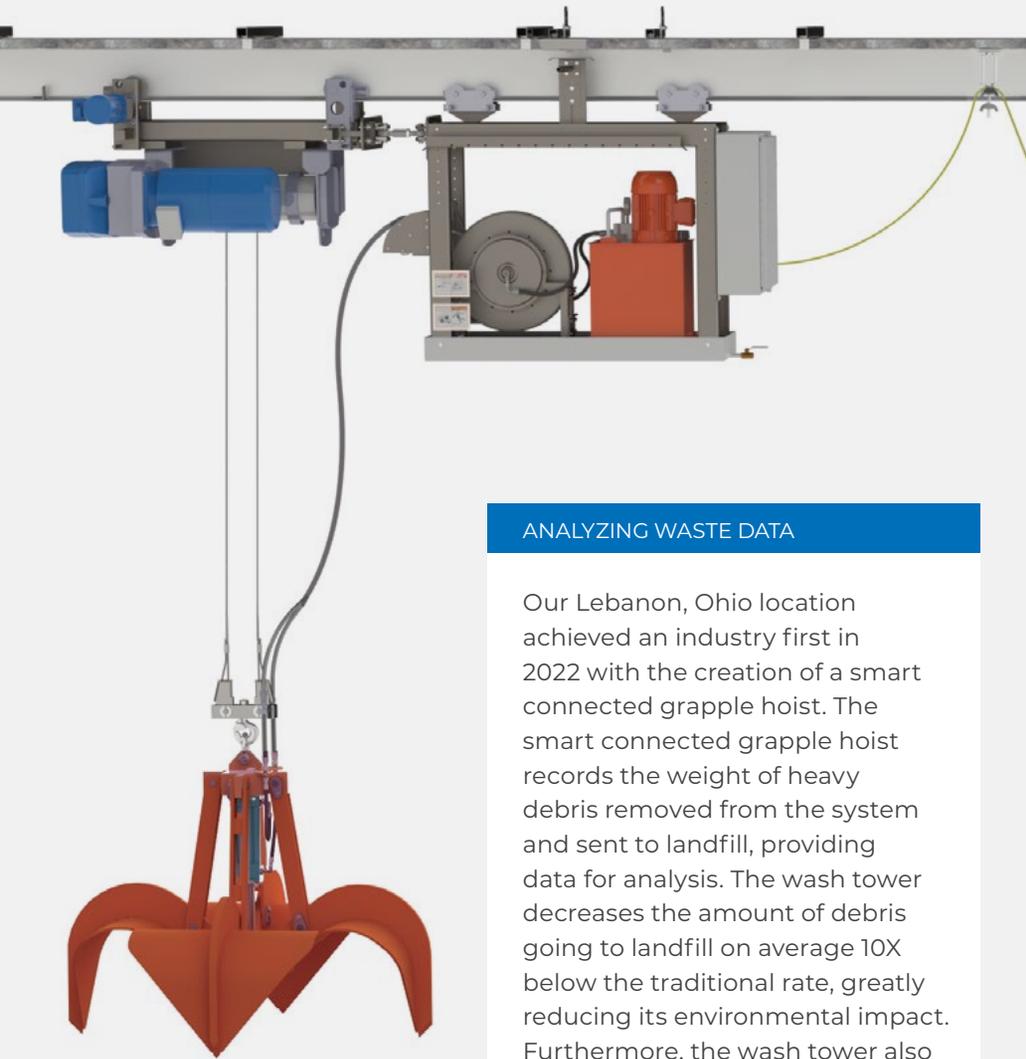
Innovation is central to our strategy to position Kadant as a leader in technology and engineered systems. Our research and development (R&D) strategy enhances process efficiency, maximizes productivity, and directly addresses the needs of our customers. A central tenant of this effort is to support Sustainable Industrial Processing, where products are manufactured with renewable, less impactful materials, and designed to be reused or recyclable.

In 2022, we made significant progress in our efforts to contribute to a more sustainable, circular economy. We will continue this in 2023, and prioritize projects that offer higher energy and raw materials savings.

Optimize Performance

Our BoostTEK technology uses pressure to speed the breakdown of stock mats that form on, and ultimately block, components in fiber processing equipment. This allows equipment to operate more efficiently and reduces downtime for maintenance.



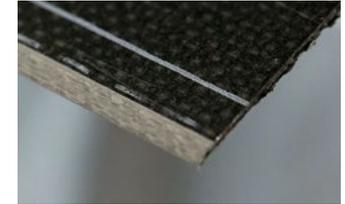


ANALYZING WASTE DATA

Our Lebanon, Ohio location achieved an industry first in 2022 with the creation of a smart connected grapple hoist. The smart connected grapple hoist records the weight of heavy debris removed from the system and sent to landfill, providing data for analysis. The wash tower decreases the amount of debris going to landfill on average 10X below the traditional rate, greatly reducing its environmental impact. Furthermore, the wash tower also recovers paper fiber from landfill-bound debris.

SUSTAINABILITY THROUGH INNOVATION

Traditional doctor blades are made from thermoset resins, a material that cannot currently be recycled and requires materials made from non-renewable resources. With the European Commission set to begin banning certain groups of chemicals found in fossil fuel-based synthetic polymers, Kadant's European locations are working to create sustainable alternatives. In 2022 at our Bury, United Kingdom and Hückeswagen, Germany locations, we introduced a sustainable bio-composite doctor blade – the first bio-composite product to be successfully developed and made available for customer trials. The biobased polymer resin matrix is completely derived from sugar cane bagasse crop waste. These blades can also be recycled into secondary products.



INCREASING EFFICIENCY

While designing our products, we consider all options to increase efficiency and resource utilization. Our site in Lohja, Finland is introducing a new family of debarkers that increase the efficiency of tree debarking in wood processing lines via a more direct power transmission, while also utilizing a planetary gearbox design. Approximately 10% less energy is now needed to run the feed works of the debarker, enabling a higher line speed for the customer.



Environment

At Kadant, our focus is to create products that reduce waste, use resources more efficiently, and allow our customers to create more value with fewer inputs.

With the ongoing energy crisis, particularly throughout Europe, many of our efforts have focused on energy savings, both in our products and throughout our operations.

In 2021, we set goals related to energy, climate, and greenhouse gas emissions and, throughout 2022, worked to achieve them. In 2022, **we continued to source 100% of our electricity from renewable sources** or through the purchase of renewable energy certificates for all our non-renewable electricity usage.



We also undertook a climate-risk assessment in 2022 to understand where climate change may represent a material operational, physical, or other form of risk to our business. While we feel that our exposure to climate change risks is relatively modest overall, this was an important baselining activity that will allow us to monitor changes and respond to a shifting risk landscape moving forward.

Scope 3 Emissions

We also recognize that significant impacts, particularly those related to climate change, may take place outside of our direct control in our value chain. In 2022, we initiated a process to quantify these “Scope 3” emissions and understand where they originate so we can take steps to reduce and mitigate their impacts in the future.

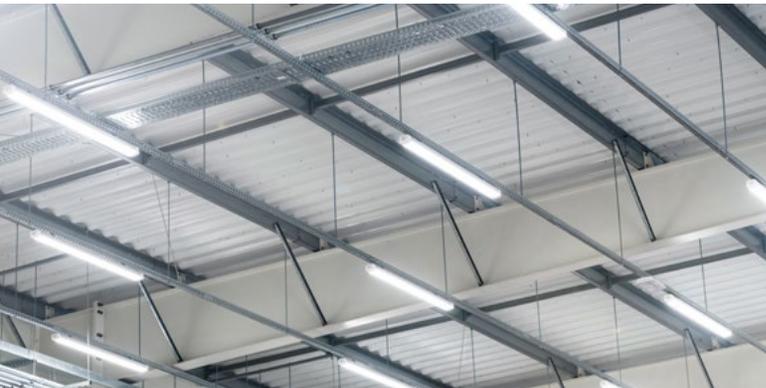
This effort included quantifying the amounts of materials we source from different vendors, estimating their climate-related impact, and determining opportunities to engage with suppliers on alternative materials and/or alternative processes to manufacture those materials.

As most of our products are sold without motors, Category 11, Use of Sold Product, is immaterial to our impacts. Other categories, in our estimation, are similarly not material to Kadant at this time. We calculated our emissions using US EPA EEIO emissions factors and based the estimations on the amount of spend for each category (except Category 3, which is based on actual Scope 1 and 2 emissions).

The data shows that purchased goods and services (Category 1) is by far the dominant contributor to our Scope 3 emissions. More than half of that category is comprised of emissions related to the purchase of stainless steel and steel products from our vendors. This data will be revised and updated in future years as additional input data becomes available, and the methodologies for estimating Scope 3 emissions improves.

SCOPE 3 CATEGORIES WE DETERMINED MOST RELEVANT TO KADANT AND ITS OPERATIONS

CATEGORY	ESTIMATED EMISSIONS (MT CO ₂ e)
Category 1: Purchased Goods and Services	204,000
Category 2: Upstream Capital Goods	6,500
Category 3: Upstream Fuel and Energy-Related Activities	10,000
Categories 4 and 9: Transportation and Distribution	10,500
Category 6: Business Travel	6,900
Category 7: Employee Commuting	12,750
Total Scope 3 Emissions	250,650



SUSTAINABILITY HIGHLIGHTS

Over the past year, our Guadalajara, Mexico location added 80,000 square feet of roofing insulation and replaced ~130 fluorescent office lighting fixtures with LED lighting fixtures.

During 2022, our Bury, UK location employed a number of efficiency measures, including motion detector sensors in all communal areas to reduce electricity usage.

Environmental Data

ACTIVITIES		PERFORMANCE INDICATOR	UNIT	2020	2021	2022	
Energy	Electricity		MWh	32,287	36,159	36,869	
	Building or process heating	Natural gas, oil	MWh	153,915	158,001	144,655	
	Building district heating	District energy	MWh	250	250	250	
	Generators and forklifts	Diesel and propane	MWh	1,257	1,274	1,274	
	Vehicles	Diesel and gasoline	MWh	3,402	3,261	4,085	
	Total Energy Usage			MWh	191,111	198,945	187,133
	Percentage of consumed energy from the grid			%	17	18	20
GHG	Building electricity		MTCO ₂ e	12,271	0*	0*	
	Building or process heating		MTCO ₂ e	27,842	28,597	26,415	
	Building district heating		MTCO ₂ e	56	56	43	
	Generators and forklifts		MTCO ₂ e	269	272	273	
	Vehicles		MTCO ₂ e	865	835	974	
	Total GHG Emissions			MTCO₂e	41,303	29,760	27,704
	Direct (Scope 1)		MTCO ₂ e	28,976	29,704	27,662	
	Indirect (Scope 2)		MTCO ₂ e	12,327	56	43	
	Indirect (Scope 3)		MTCO ₂ e	NA	NA	250,650	

*In 2021 and 2022, Kadant purchased renewable energy certificates, representing electricity generated from renewable resources, covering all non-renewable electricity usage across all its businesses.

Effluents, Waste, and Recycling

One of Kadant’s main value propositions is that its products enable customers to operate more efficiently, requiring less input material and producing less waste. Accordingly, the waste production across our own locations is something we monitor and seek to reduce. Hazardous waste is not a major issue for Kadant, and the small amounts that are generated are handled by qualified vendors in accordance with applicable rules and regulations.

WASTE	WASTE GENERATED (MT)
Hazardous Waste	137
Non-Hazardous Waste	3,831
Total Waste	3,968



MATERIALS USED

In our manufacturing operations, we use a variety of materials including metals, plastics, electronics, chemicals, and rubber compounds to make our products. Our business operations are distributed geographically across the world and each location is responsible for procuring its respective materials. As part of our effort to quantify our Scope 3 greenhouse gas emissions, we compiled data about materials usage globally and will continue to refine these datasets in the coming years to identify ways to reduce the embedded greenhouse gas emissions in the materials we use.

ELIMINATION OF WASTEWATER

Our location in Surrey, British Columbia completely eliminated wastewater production by switching from dye penetrant to a magnetic particle-based non-destructive testing protocol. This eliminates approximately 260 to 400 gallons of wastewater generation per year.

ENVIRONMENTAL CERTIFICATION

As environmental awareness has increased in recent years, so has the scope of environmental compliance. In 2022, our team in Bury, United Kingdom formed a working group, including senior management, to develop a roadmap to achieve ISO 14001 certification of our environmental management system before the end of 2023.

Each group member underwent specific training, participated in a gap analysis exercise, formed an action plan, and is due to start working through the environmental aspects and legal registers with a third-party consultancy. Our Bury team aims to improve cost control and continue to use evidence-based decision making in our environmental management processes.

Environmental Compliance

We are committed to full compliance with applicable environmental rules and regulations in our operations, and each location is responsible for ensuring it has implemented programs and protocols accordingly.

In 2022, there were no significant violations regarding our compliance with any of these rules or regulations.

About This Report

Kadant's 2022 Corporate Sustainability Report provides an updated overview of our ESG efforts, which serves as a bridge from our last full report for 2021 to our next full report for 2023. All information and data in this report are for the fiscal year ended December 31, 2022 (2022 fiscal year) and convey not only the Kadant corporate perspective but highlights the sustainability efforts of Kadant subsidiaries around the globe.

Kadant reports in accordance with the GRI Standards for the period January 1–December 31, 2022. This report contains disclosures relevant to the SASB Industrial Machinery and Product Standards. After becoming a participant of the UN Global Compact (UNGC) in 2021, this report serves as a demonstration of our actions to support the UNGC Ten Principles in the areas of human rights, labor, environment, and anti-corruption. Greenhouse gas emissions were calculated according to the Greenhouse Gas (GHG) Protocol Corporate Standard. We are proud to include our inaugural Task Force on Climate-Related Financial Disclosures (TCFD) in this report and refer to our climate governance and scenario analysis throughout. The full TCFD report can be found in the appendix to this report.





GRI Content Index

For the Content Index – Essentials Service, GRI Services reviewed that the GRI content index is clearly presented, in a manner consistent with the Standards, and that the references for disclosures 2-1 to 2-5, 3-1 and 3-2 are aligned with the appropriate sections in the body of the report. Data in the report represents all wholly owned Kadant operations able to provide data for any topic.

Statement of use	Kadant Inc. has reported in accordance with the GRI Standards for the period 1 January 2022 to 31 December 2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	None

General Disclosures	
GRI Standard/Other Source	Information / Location in Report
GRI 2: General Disclosures 2021	<p>2-1 Organization details</p> <p>Kadant Inc.: One Technology Park Drive Westford, Massachusetts 01886, United States</p> <p>Kadant Facilities Worldwide: 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.</p> <p>Kadant Inc. is listed on the New York Stock Exchange (NYSE: KAI)</p>
	<p>2-2 Entities included in the organization’s sustainability reporting</p> <p>This report covers Kadant Inc. and its subsidiaries.</p>
	<p>2-3 Reporting period, frequency and contact point</p> <p>Reporting period: 1 January 2022 - 31 December 2022</p> <p>Frequency: Annual</p> <p>Contact point: Stacy Krause, Senior Vice President, General Counsel, and Secretary: Stacy.Krause@kadant.com</p>
	<p>2-4 Restatements of information</p> <p>There were no restatements of information during the reporting period.</p>
	<p>2-5 External assurance</p> <p>At this time, Kadant has decided to not seek external assurance for the report. Kadant will investigate this for future years.</p>
	<p>2-6 Activities, value chain, and other business relationships</p> <p>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. Kadant is headquartered in Westford, Massachusetts, with 20 locations worldwide and approximately 3,100 employees. Kadant generated \$905 million in revenue in 2022. For more information on Kadant’s value chain, see Supply Chain Sustainability, page 9. Kadant’s supply chain consists of several thousand upstream suppliers, approximately 400 of whom account for 80% of supply chain spend. Kadant suppliers primarily provide raw materials such as steel, stainless steel, ductile iron, brass, bronze, aluminum, elastomers, and by-products from the production of paper.</p> <p>Kadant brands, products, and services are available at: https://www.kadant.com/en/our-businesses.</p>

GRI Standard/Other Source	Information / Location in Report
2-7 Employees	Kadant is headquartered in Westford, Massachusetts, with 20 locations worldwide and approximately 3,100 employees. At our corporate headquarters, our employees are 65% male and 35% female. See Our People , page 13 for more information.
2-8 Workers who are not employees	Given this data is immaterial to our business performance nor readily available, we choose not to disclose this data at this time.
2-9 Governance structure and composition	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 .
2-10 Nomination and selection of the highest governance body	Information about the nomination and selection of the highest governance body is available online at https://investor.kadant.com/corporate-governance/highlights .
2-11 Chair of the highest governance body	Kadant's Chair of the highest governance body can be found online at https://investor.kadant.com/corporate-governance/directors-officers .
2-12 Role of the highest governance body in overseeing the management of impacts	See Management Approaches , page 29.
2-13 Delegation of responsibility for managing impacts	See Management Approaches , page 29.
2-14 Role of the highest governance body in sustainability reporting	The Board provides oversight of our approach to sustainability, corporate citizenship and social value creation, including our approach to corporate responsibility reporting. Please see pages 13–15 in our 2022 Proxy for more information. Kadant's 2023 Proxy will be released after the publication of the 2022 Sustainability Report. When published, please find the 2023 Proxy online at https://www.sec.gov/edgar/browse/?CIK=886346&owner=exclude .
2-15 Conflicts of interest	None.
2-16 Communication of critical concerns	The Board has established a process to facilitate communication between shareholders and other interested parties with the Company's independent directors. In general, any shareholder communication delivered to us for forwarding to the Board or specified directors will be forwarded in accordance with the shareholder's instructions. Our Ethics and Compliance Hotline enables anonymous reporting directly to the most senior levels of management.
2-17 Collective knowledge of the highest governance body	A discussion of each director's experience and skills can be found in our 2022 Proxy Statement on pages 3-6. Kadant's 2023 Proxy will be released after the publication of the 2022 Sustainability Report. When published, please find the 2023 Proxy online at https://www.sec.gov/edgar/browse/?CIK=886346&owner=exclude .
2-18 Evaluation of the performance of the highest governance body	A comprehensive discussion of the evaluation of the performance of the highest governance body can be found in our 2022 Proxy Statement on page 11. Kadant's 2023 Proxy will be released after the publication of the 2022 Sustainability Report. When published, please find the 2023 Proxy online at https://www.sec.gov/edgar/browse/?CIK=886346&owner=exclude .

GRI Standard/Other Source	Information / Location in Report
2-19 Remuneration policies	A comprehensive discussion of director and executive compensation can be found in our 2022 Proxy Statement on pages 26–36. Kadant's 2023 Proxy will be released after the publication of the 2022 Sustainability Report. When published, please find the 2023 Proxy online at https://www.sec.gov/edgar/browse/?CIK=886346&owner=exclude .
2-20 Process to determine remuneration	A comprehensive discussion of non-employee director and executive compensation can be found in our 2022 Proxy Statement on pages 26–36. Kadant's 2023 Proxy will be released after the publication of the 2022 Sustainability Report. When published, please find the 2023 Proxy online at https://www.sec.gov/edgar/browse/?CIK=886346&owner=exclude .
2-21 Annual total compensation ratio	See our 2022 Proxy Statement, page 30. Kadant's 2023 Proxy will be released after the publication of the 2022 Sustainability Report. When published, please find the 2023 Proxy online at https://www.sec.gov/edgar/browse/?CIK=886346&owner=exclude .
2-22 Statement on sustainable development strategy	See A Message from the CEO, page 3 .
2-23 Policy commitments	Kadant's Code of Business Conduct and Ethics and other corporate governance documents are available online at https://investor.kadant.com/corporate-governance/highlights .
2-24 Embedding policy commitments	Kadant's Board of Directors, primarily through its Risk Oversight and Sustainability Committee, provides oversight of Kadant's approach to sustainability and corporate social responsibility. The integration of specific ESG policy commitments into Kadant's strategies and operational procedures is overseen by various cross-functional teams. For more information, please see Management Approaches, page 29 .
2-25 Processes to remediate negative impacts	Our Ethics and Compliance Hotline enables anonymous reporting directly to the most senior levels of management.
2-26 Mechanisms for seeking advice and raising concerns	Our Ethics and Compliance Hotline enables anonymous reporting directly to the most senior levels of management.
2-27 Compliance with laws and regulations	In 2022, no Kadant businesses were subjected to significant fines or sanctions for noncompliance with environmental laws or regulations.
2-28 Membership associations	Engineered Wood Technology Association (EWTA), Technical Association of the Pulp and Paper Industry (TAPPI), and the Conveyor Equipment Manufacturers Association (CEMA).
2-29 Approach to 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.
2-30 Collective bargaining agreements	28% of our employees are covered by a works council or collective bargaining agreement.

Material Topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	See Stakeholder Engagement and Materiality, page 12 .
GRI 3: Material Topics 2021	3-2 List of material topics	See Stakeholder Engagement and Materiality, page 12 .
Economic Performance (Kadant Material Topic: Financial Performance)		
GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, pages 29–30 .
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	See page F-5 of the Annual Report on Form 10-K for fiscal year ended December 31, 2022.
	201-2 Financial implications and other risks and opportunities due to climate change	See our inaugural TCFD Report, pages 34–38 .
GRI Relevant Disclosure: Corporate Governance (Kadant Material Topic: Governance)		
GRI 3: Material Topics 2021	3-3 Management of Material Topics	See Management Approaches, page 29 .
GRI 2: General Disclosures 2021	2-9 Governance structure and composition	Kadant's Corporate Governance Guidelines and the Committee Charters of the Board of Directors are available at https://investor.kadant.com/corporate-governance/highlights . Also see General Disclosure 2-9 for more information.
Anti-corruption (Kadant Material Topic: Ethics and Compliance)		
GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, page 29 .
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	This year, we required management at each location to complete an interactive training on Anti-Corruption. Kadant also has an annual recertification of the Anti-Corruption/FCPA Policy. Please see Management Approaches, page 29 for more information.
	205-3 Confirmed incidents of corruption and actions taken	In 2022, there were no confirmed incidents of corruption at Kadant.
Non-GRI Topic: Research and Development (Kadant Material Topic: Research and Development)		
GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, page 30 .
Non-GRI Topic: Research and Development	R&D Expenses as percentage of revenue	R&D expenses represented 1.41% of our revenue in fiscal year 2022.

Non-GRI Topic: Delivering Value to Customers (Kadant Material Topic: Delivering Value to Customers)

GRI 3: Material Topics 2021 3-3 Management of material topics See [Management Approaches, page 30](#).

Non-GRI Topic: Delivering Value to Customers Product innovation See [Innovation, page 15](#).

Occupational Health and Safety (Kadant Material Topic: Health, Safety, and Wellness)

GRI 3: Material Topics 2021 3-3 Management of material topics See [Management Approaches, page 30](#).

GRI 403: Occupational Health and Safety 2018 403-1 Occupational health and safety management system See [Our People, page 13](#).

403-2 Hazard identification, risk assessment and incident investigation Each business is responsible for assessing health and safety-related risks and developing action plans to mitigate those risks.

403-3 Occupational health services See [Our People, page 13](#).

403-4 Worker participation, consultation, and communication on occupational health and safety See [Our People, page 13](#).

403-5 Worker training on occupational health and safety See [Our People, page 13](#).

403-6 Promotion of worker health See [Our People, page 13](#).

403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships See [Our People, page 13](#).

403-8 Workers covered by an occupational health and safety management system See [Our People, page 13](#).

403-9 Work-related injuries Total Reportable Injury (TRIR) Rate = 1.87. See [Our People, page 13](#).

403-10 Work-related ill-health See [Our People, page 13](#).

Training and Education (Kadant Material Topic: Learning and Development)

GRI 3: Material Topics 2021 3-3 Management of material topics See [Management Approaches, page 30](#).

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.

Diversity and Equal Employment (Kadant Material Topic: Equal Opportunity and Non-Discrimination)

GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, page 31 .
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	At the end of 2022, Kadant's board of directors ("Board") was comprised of six directors, two women and four men.

Non-Discrimination (Kadant Material Topic: Equal Opportunity and Non-Discrimination)

GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, page 31 .
GRI 406: Non-Discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	In 2022, there were no judgements of discrimination at any of our businesses.

Energy (Kadant Material Topic: Energy, Emissions, and Climate Change)

GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, page 31 .
GRI 302: Energy 2016	302-1 Energy consumption within the organization	See Environmental Data, page 18 .

Emissions (Kadant Material Topic: Energy, Emissions, and Climate Change)

GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, page 31 .
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	See Environmental Data, page 18 .
	305-2 Energy indirect (Scope 2) GHG emissions	See Environmental Data, page 18 .
	305-3 Other indirect (Scope 3) GHG emissions	See Scope 3 Emissions, page 17 and Environmental Data, page 18 .

Materials (Kadant Material Topic: Materials Used)

GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, page 31 .
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Our businesses use a variety of materials in our manufacturing processes. Our estimates for Scope 3 green house gas emissions show that steel and steel-related materials were the most impactful. In 2022, we used approximately 9,500 MT of steel.

Water and Effluents (Kadant Material Topic: Effluents, Waste, and Recycling)

GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, page 31 .
GRI 303: Water and Effluents 2018	303-3 Water withdrawal	Total: 142 megaliters Total water withdrawal from areas with water stress: 2 megaliters
	303-4 Water discharge	Total: 28 megaliters There was no water discharge to areas with water stress.
	303-5 Water consumption	Total: 142 megaliters Total consumption from areas with water stress: 3 megaliters

Waste (Kadant Material Topic: Effluents, Waste, and Recycling)

GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, page 31 .
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	See Effluents, Waste, and Recycling, page 19 .
	306-2 Management of significant waste-related impacts	See Management Approaches, page 31 .
	306-3 Waste generated	See Effluents, Waste, and Recycling, page 19 .
	306-4 Waste diverted from disposal	Total waste diverted from disposal: 2,465 MT Total hazardous waste diverted from disposal: 47 MT <ul style="list-style-type: none"> • Reuse: 1 MT • Recycling: 41 MT • Recovery: 5 MT Total non-hazardous waste directed from disposal: 2,418 MT <ul style="list-style-type: none"> • Reuse: 395 MT • Recycling: 1,534 MT • Recovery: 489 MT
	306-5 Waste directed to disposal	Total waste directed to disposal: 1,503 MT Total hazardous waste directed to disposal: 91 MT <ul style="list-style-type: none"> • Incineration: 29 MT • Landfill: 7 MT • Deep well injection: 2 MT • Other: 53 MT Total non-hazardous waste directed to disposal: 1,412 MT <ul style="list-style-type: none"> • Incineration: 265 MT • Landfill: 1,084 MT • Deep well injection: 2 MT • Other: 61 MT

Supplier Environmental Assessment (Kadant Material Topic: Supply Chain Sustainability)

GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, page 29 .
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	See Supply Chain Sustainability, page 9 .
	308-2 Negative environmental impacts in the supply chain and actions taken	See Supply Chain Sustainability, page 9 .

GRI Relevant Disclosure: Compliance (Kadant Material Topic: Environmental Compliance)

GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, page 29 .
GRI 2: General Disclosures 2021	2-27 Compliance with laws and regulations	See General Disclosure 2-27, page 23 .

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 locations' 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 our locations are annually required to review and certify compliance with the Code of Business Conduct and Ethics, as well as the Insider Trading Policy, Anti-Harassment Policy, Foreign Corrupt Practices Act (FCPA) Policy, and Global Export Compliance Policy.

Kadant's corporate legal department performs regular training on key policies and procedures in conjunction with key events and acquisitions. As part of our commitment to continually improving training on ethics and compliance, we introduced our online compliance training platform last year. The training platform allows each 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. This year, we required management at each location to complete an interactive training on Anti-Bribery and Anti-Corruption.

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 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 thousands of suppliers 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, and country-specific perspective, depending on where our suppliers operate. We manage these risks and regulatory issues in our supply chain primarily through our Global 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 Global Supplier Code of Conduct is managed by our locations across the globe. To assess and identify areas for improvement, we conducted a robust analysis of approximately 400 suppliers, which accounted for 80% of our supply chain spend in 2021, to gain insight into how they manage sustainability and ethics. In addition, each location manages its own suppliers through targeted audits and feedback processes. In 2022, we followed up with suppliers to provide additional information about their sustainability efforts and will continue to engage with suppliers to further investigate ESG risks and encourage any necessary corrective actions. Based on this continued engagement, approximately ten suppliers improved their rating from red to yellow, or yellow to green.

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 of Directors. 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 of Directors, through its committees, reviews and approves 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 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 / Delivering Value to Customers

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 business, particularly at the locations that house our research and development centers of excellence.

Research and development is managed by our various businesses. Most 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 across our organization is crucial for our continued success. In our manufacturing facilities, safety trainings and trainings for operating advanced machinery are of particular importance and as many of our locations operate in niche markets, specialized training is essential. To continue to be an employer of choice, we need to keep our employees engaged, motivated, and invested to maximize job satisfaction and performance. This focus leads to superior products and services, which in turn benefits our customers and all stakeholders.

Training and education is managed by our locations individually. Responsibility lies with their senior management teams, and in particular, with their human resource departments, and the departments under which the respective trainings occur. Programs used include business wide training plans, tuition reimbursement policies, 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 manufacturing floor. Our employees are our most important asset, and our 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 for many of our customers to do business with us.

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

External advisors often review and make suggestions to augment our procedures, and several of our locations have a variety of safety certifications. Our locations use different approaches to ensure management of health and safety is effective, including tracking 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

Equal opportunity and non-discrimination is managed by our various locations, usually by their respective Human Resource departments, which are 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 offer a competitive compensation and benefits program and 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 location by the local leadership team, 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 applicable environmental regulations everywhere it operates.
- + Energy and emissions: As a significant expense for the company and the source of the majority of its greenhouse gas emissions, monitoring energy usage is critical. To manage energy and emissions we collect consumption data and set relevant goals that aim to reduce our footprint.
- + 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 location by the leadership team. Goals and targets are set depending on local conditions, options for waste diversion, and cost factors.

UNGC Index

Ten Principles of the UN Global Compact		2022 Response
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 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 8 .
Principle 4	The elimination of all forms of forced and compulsory labor	See page 8 .
Principle 5	The effective abolition of child labor	See page 8 .
Principle 6	The elimination of discrimination in respect of employment and occupation	See page 8 .
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 page 9 and pages 16 - 19 .
Principle 9	Encourage the development and diffusion of environmentally friendly technologies	See page 14 .
Anti-corruption		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	See page 8 .

SASB Index

SASB Industrial Machinery and Products Standard

Energy Management

Accounting Metric(s)	Code	Unit	2022 Response or Location in Report
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(1) Total energy consumed; (2) percentage grid Electricity; (3) percentage renewable	RT-IG-130a.1	Gigajoules (GJ), Percentage (%)	See page 18 .
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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 13 .
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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 chose not to disclose this data at this time.
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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 chose not to disclose this data at this time.
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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 chose not to disclose this data at this time.
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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 chose not to disclose this data at this time.
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Materials Sourcing

Description of the management of risks associated with the use of critical materials	RT-IG-440a.1	N/a	Each Kadant subsidiary has individual management approaches to risks associated with the sourcing and use of critical materials.
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Remanufacturing Design and Services

Revenue from remanufactured products and remanufacturing services	RT-IG-440b.1	Reporting currency	\$15 million
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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 December 31, 2022.
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Number of employees	RT-IG-000.B	Number	In 2022, we had approximately 3,100 employees.
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Task Force on Climate-Related Financial Disclosures (TCFD) Report

As climate change advances, so do the related short- and long-term risks. We have long been focused on addressing manufacturing sustainability and identifying our impact on climate change.

To build on our existing climate risk mitigation efforts and to evaluate short- and long-term risks and opportunities, we assessed the types of climate change-related risks that we may be exposed to now and in the future. Through research and internal and external stakeholder engagement, we considered different climate scenarios and potential outcomes and assessed the associated effects of these risks and opportunities across our operations. This assessment, conducted in alignment with the guidance of the Task Force on Climate-Related Financial Disclosures (TCFD), will inform the adoption of climate-related targets and goals and our strategy to mitigate risks. It also supports the resiliency of our business against the identified risks while taking advantage of potential opportunities.

We are proud to share our inaugural TCFD report, which complements our SASB and GRI disclosures. We are confident that this report will enhance our transparency on climate-related issues and help guide our efforts to reduce our impact on climate change.

Our report follows relevant reporting guidance as outlined by TCFD and addresses the topics of Governance, Strategy, Risk Management, and Metrics and Targets. For each of the four topics, we highlight the specific process taken to evaluate our climate-related risks and opportunities, the associated outcomes, and our overall climate change management.

ESG Governance at Kadant

Environmental, social and governance (ESG) factors, including those related to climate change, represent potential risks and opportunities. Therefore, incorporating ESG risks into our decision-making process is necessary to position ourselves for long-term viability. We are committed to actively managing the ESG issues most material to our ability to create long-term value for our stakeholders and ensuring we operate in a sustainable, transparent, and ethical manner.

Board Oversight of ESG and the ESG Committee

Our Board of Directors (the “Board”) has oversight over ESG topics, including climate-related risks and opportunities. We address business decisions with an ESG lens when appropriate. The development and implementation of ESG policies and related programs is a company-wide effort overseen by our corporate leadership team and the heads of our business units. This group is responsible for defining and leading our ESG strategy, in partnership with senior management, the Risk Oversight and Sustainability Committee, and the Board. Our General Counsel regularly reports to the Board on ESG topics and the Board reviews our ESG reports prior to publication.

Task Force on Climate-Related Financial Disclosures (TCFD)

The TCFD process is overseen by our General Counsel. This reporting framework assesses our operations under various climate change scenarios to identify the relevant risks and opportunities.

Risk Management

Identifying Key Climate Risks

Our senior leadership oversees an enterprise risk management (ERM) process each year. ERM supports us in achieving our strategic priorities and considering and mitigating risks to the business. We are a global supplier of technologies and engineered systems that enable Sustainable Industrial Processing. As part of this process, we consider various risks, including those related to ESG and climate, and assess the likelihood of occurrence, significance, and potential impact and mitigation strategies. This allows us to prioritize the risks that pose the most material impact to our business and identify risk management actions needed to mitigate them.

Climate Scenarios

The senior management teams for each of our businesses reviewed quantitative and qualitative information related to the medium- and long-term impacts of climate change using publicly available information and considered the risks and opportunities related to two scenarios. The first is a “Business as Usual” scenario, where greenhouse gases continue to be emitted in a relatively unabated manner. The assumption is that this scenario will result in substantial warming of the climate, where this warming is manifested as increased sea level rise, increased frequency and intensity of storms, droughts, changes to agricultural productivity and other outcomes. Our assumption is that this scenario will result in a variety of physical risks and opportunities that need to be evaluated in the context of our business, including our operations and value chain.

The other scenario we considered corresponds to the International Energy Agency’s 1.5°C Degree Sustainable Development Scenario, a “strong mitigation” scenario, where the world has made the necessary regulatory, technological, and policy shifts to abate emissions and prevent the world from warming more than 1.5°C. In this scenario, most physical risks may be avoided, but the actions necessary to achieve this scenario may present a variety of transitional risks and opportunities that need to be evaluated in the context of our business, including our operations and value chain.

Risk Areas Classified as Priorities

Using these scenarios as a guide, our leadership teams were asked to identify specific risks and opportunities for their businesses that need to be considered in the context of climate change. The following are the results of that effort.

The following physical risks were identified as the most likely and/or impactful in the context of the “Business as Usual” scenario as they could result in physical damage to our businesses or decrease our value.

- + Lack of input material availability
- + Excessive energy demand
- + Increase in adverse weather events
- + Increase in the frequency of forest fires and degradation

Transition risks to our business

The primary transition risks to our business include:

- + Investor ESG priorities
- + Increased customer focus on sustainable services and products
- + Increased investment costs

Each of these risks could require increased expenditures on our part to address these risks, including to lower our emissions.

Active Risk Management

To manage risks, our dedicated team oversees comprehensive processes and procedures. We use a variety of tools to proactively monitor, analyze and respond to risks. For example, we regularly conduct assessments to identify key areas of exposure and opportunities. For weather-related climate risks, we have crisis response and business continuity plans that we periodically reevaluate and update and our divisional leadership teams periodically review the performance of their businesses for financial and climate resilience.

Through robust risk management, our goal is to be a nimble and resilient organization that can adapt to the effects of climate change and contribute to the mitigation of additional climate-related impacts.

Climate Strategy

Through our differentiated business model and key strategic priorities related to ESG, we deliver benefits to our stakeholders.

We remain intentional about continuous improvement by conducting assessments of ESG best practices, setting and achieving meaningful goals, and evaluating our approach to ESG leadership. Fundamental to our ESG and business strategy is our focus on innovation, customer service, cost control and targeted acquisitions. Our strategy is potentially impacted directly or indirectly by climate change-related issues, and this exercise is intended to highlight those connections.

Our strategy for addressing climate change has three main components: efficiency, renewable energy, and engagement.

Each of our business units is asked to assess their operations for opportunities to use energy resources more efficiently. Through the targeted use of energy audits and through the institutional knowledge of team members, we look for opportunities to reduce our energy usage, which would reduce costs and lower our greenhouse gas emissions.

For each of the past two years, we have purchased approximately 30,000 MWh of renewable energy certificates which represents the amount of electricity our operating divisions use in a given year not already supplied from renewable sources. Each division is also seeking economically and technically viable opportunities to deploy renewable technologies onsite. This is primarily focused on solar energy generation currently and will include other renewable options as technologies become viable.

Lastly, we seek to engage with actors in our value chain, both upstream and downstream, to identify opportunities to reduce our greenhouse gas footprint, particularly those related to Scope 3 emissions. In 2022, we worked to quantify the most material categories of our Scope 3 emissions for the first time and will use that data to strategically identify opportunities to partner with suppliers and customers to address emissions associated with our relationships.

Climate-Related Physical Risks

Our analysis of a “business-as-usual” (BAU) scenario identified the following short- and long-term physical risks, for which we determined an appropriate mitigation action plan.

Physical Risk	Potential Impact	Management Approach
Lack of Input Material Availability	Climate change may drive significant change in input material availability (i.e., steel, lumber, etc.) and thus adversely affect production costs and schedules throughout the industry.	As part of our regular risk management efforts, our businesses assess which materials are most at risk for supply interruptions, climate-related or otherwise. Based on findings, we assess customers’ demands based on material availability, bulk, pre-order, and store materials with longer lead times and work to anticipate potential sourcing challenges. To further mitigate this risk over the long term, we may seek to diversify our sources for materials and increase sourcing from local vendors.
Excessive Energy Demand	Climate change may increase electricity demand for cooling in the summer and decrease electricity, natural gas, heating oil, and wood demand for heating in the winter. If there are energy shortages, our plants will be significantly impacted.	To improve energy efficiency, our businesses have been asked to assess opportunities to implement energy efficiency measures such as smart controls, LED lighting, insulation and other measures in their properties.
Increase in Adverse Weather Events	More frequent storms could disrupt energy production and delivery by damaging electricity infrastructure, fuel delivery infrastructure and equipment, power plants or storage facilities.	To better understand current risk exposure of our properties, we will monitor changing weather patterns over the medium and longer-term in highly susceptible areas and where appropriate, assess storm response systems and implement updates to infrastructure as needed
Increase in the Frequency of Forest Fires and Degradation	Forests face a potential increase in the number and intensity of fires, pests, and pathogens related to climate change which would primarily impact our customer operations due to limiting the availability of timber resources in some regions.	We will continue to innovate technologies that allow our customers to maximize recovery of fiber from recycled paper, rather than primary timber resources, efficiently utilize lower-quality fibers and feedstock and develop markets for alternative fiber sources.

Climate-related Transition Risks

From our analysis of a strong mitigation scenario, we have identified the following short- and long-term transition risks and determined appropriate mitigation plans. We excluded fluctuation in power pricing, because while renewable energy may increase in price, the risk would not represent an existential threat to our business.

Transition Risk	Potential Impact	Management Approach
Investor ESG Priorities	Investors are becoming more focused on aspects of sustainability which they see as not only beneficial for the environment, but also to manage risk in their portfolio companies. Loss of investor interest can result in loss of capital.	As part of our existing ESG strategy, we will continue to evaluate industry ESG expectations and implement measures to exceed those expectations.
Increased Customer Focus on Sustainable Services and Products	Customers are becoming more conscientious and focused on energy efficiency and reducing costs via sustainable products. Our customers may show a preference for products with a lower carbon footprint.	We plan to expand communications with customers to better understand customer needs, improve our collection and communication of environmental data, and implement new sustainability measures in alignment with customer expectations.

Climate-related Opportunities

Resulting from our analysis of both scenarios, we identified the following short- and long-term climate-related opportunities and determined a plan of action to realize these potential benefits.

Opportunities	Potential Impact	Management Approach
Resource Efficiency	The demand for energy, raw materials, and water efficient solutions may grow in the near future.	We will continue our strategy of innovating new technologies that maximize resource utilization, minimize energy and water consumption and that can utilize new feedstocks that may emerge in a climate-impacted world.
Talent Acquisition	Talent is increasingly interested in working for companies that serve a broader mission and operate sustainably. Talent of certain geographic locations and demographics may be more focused on working for companies whose mission and values align with their own.	To attract and retain top talent, we will promote our sustainability efforts internally and externally to current and prospective employees.
Cost Savings	Updating facilities and utilizing more efficient manufacturing equipment not only helps the environment but also lowers operating costs. This opportunity could be attractive to our customers and our employees.	To maximize ESG impacts and long-term cost savings, we will continue to review standards and technologies that can be introduced to increase efficiencies both for our own operations and for our customers.
Expanded Customer Base	Low-carbon technological innovation and/or raw materials may appeal to new customers and broaden our market opportunities. As energy efficient products increase, our customers who produce such technology may also increase their efficiency.	To expand our customer base, we intend to continue external ESG marketing communications. This will showcase ESG benefits to potential customers and increase transparency.

Metrics and Targets

After completing our TCFD process and identifying risks and opportunities, we are focused on setting targets and tracking metrics that allow us to reduce our environmental impact. Our role in addressing climate change starts with tracking our energy and emissions.

We closely monitor our Scope 1 and 2 emissions. By tracking emissions and energy usage, we can make decisions and set targets that take advantage of available opportunities while mitigating risks to our operations.

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