KĀDANT

2023 CORPORATE SUSTAINABILITY REPORT

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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 30, 2023 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; 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 to tax laws and regulations; 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.

A Message from the CEO

I am pleased to share with you an in-depth update on Kadant's commitment to sustainability and our pursuit of innovative solutions for Sustainable Industrial Processing.^{SM}

At Kadant, sustainability is integral to the decisions we make, the products we develop, and the interactions we have with our stakeholders. We believe that by emphasizing sustainability we not only contribute to a healthier planet but also drive long-term value for our customers, employees, and shareholders.

We have implemented various programs that mobilize our employees from around the globe to identify and address process and manufacturing inefficiencies. This approach ensures that sustainability remains a guiding principle in every aspect of our operations, from the factory floor to the boardroom.

Moreover, our decentralized structure empowers our diverse teams to innovate and collaborate directly with customers and other stakeholders. By leveraging their specialized expertise, we gain valuable insights that fuel our quest for greater efficiency and increased productivity. While each of our entities operates autonomously, our shared values provide a solid foundation for collaboration and collective progress.

In the pursuit of sustainability excellence, we have achieved significant milestones and received notable recognition over the past year:

· **We have committed to set emission reduction targets** aligned with the Paris Agreement through the Science Based Targets initiative (SBTi).

· **All our electricity usage comes from renewable resources,** including through the purchase of renewable energy certificates, for all non-renewable electricity usage demonstrating our commitment to combatting climate change.

· **We have engaged with our top suppliers to encourage them to set science-based emission reduction targets,** fostering a culture of sustainability across our supply chain.

· Named by *Newsweek* as one of **America's Greatest Workplaces for Job Starters**

· Named by *Newsweek* as one of **America's Most Responsible Companies** for the fourth consecutive year

· Named by *Investor's Business Daily* as one of **100 Best ESG Companies**

As we reflect on the successes of 2023, we recognize that more work lies ahead. We are committed to driving innovation in process industries, advancing circular economy practices, and transitioning towards fully closed-loop systems. This journey requires greater transparency and traceability in supply chains, increased recycling of materials, and the seamless integration of smart technologies. At Kadant, we are proud to be at the forefront of these transformative initiatives.

Rooted in our legacy of engineered efficiency, our technologies have long been central to resource conservation. Today, we continue to harness the collective potential of our people, structure, and innovations to drive meaningful change.

In this report, you will find key sustainability metrics, along with insights into the topics that matter most to our stakeholders. We have included our GRI (Global Reporting Initiative), UNGC (UN Global Compact), SASB (Sustainability Accounting Standards Board), and TCFD (Task Force on Climate-related Financial Disclosures) disclosures in the indices for your reference.

Thank you for your interest in Kadant's sustainability journey, and we invite you to join us as we continue to innovate and lead in building a more sustainable future for generations to come.

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 3,400 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.

Highlights from 2023

KEY METRICS

EMPLOYEE COUNT

~3,400

TOTAL U.S. RECORDABLE INCIDENT RATE

2.16

MANUFACTURING LOCATIONS

~20

ELECTRICITY USAGE SOURCED FROM RENEWABLES

100%

2023 AWARDS

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

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

Kadant was named one of **100 Best ESG Companies** by *Investor's Business Daily*.

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 approach to innovation here.

INNOVATION HIGHLIGHT Our Lebanon, Ohio manufacturing location launched the Supra™ Screen Rotor, a power-saving, high-efficiency rotor for fractionation and fine screening applications. Kadant engineers utilized detailed computational fluid dynamics analyses as well as rigorous field testing to get the most out of the rotor and screen performance. The new low-speed technology leads to decreased power consumption, increased efficiency, and increased service life.

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.

AUTOMATION HIGHLIGHT Our manufacturing location in Bury, Lancashire, United Kingdom introduced the resin rivet cobot (collaborative robot) into the production line. Traditionally, doctor blades are retained in their holders using metal rivets, a labor-intensive and variable process. To automate this process, the newly developed resin rivet system uses a fast-cure polymer and increases overall production efficiency.
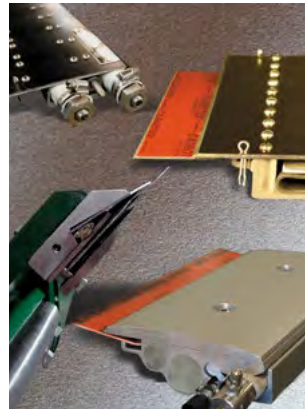
SUSTAINABILITY

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.

SUSTAINABILITY HIGHLIGHT One of the main sustainability initiatives at our Bury, Lancashire, United Kingdom location is recycling cardboard material. In 2023, the site was able to recycle approximately 5,000 cardboard cores collected from suppliers. This process notably reduces the demand for new cardboard production, in turn conserving natural resources and energy, while also limiting landfill waste. Additionally, this site, along with our Valinhos, Brazil location, reuses all pallets received during deliveries from suppliers, avoiding additional waste disposal and reducing overall consumption.

Update on 2023 Goals

In 2023, we signed a commitment letter with the Science Based Targets initiative (SBTi) that commits us to establishing near- and long-term Science-Based Targets. Since committing to SBTi in December 2023, we have until 2025 to set formal emission reduction targets and goals aligned with the Paris Agreement's ambition of limiting the global temperature rise to 1.5°C.

We continued to source 100% of our electricity from renewable sources, including through the purchase of renewable energy certificates, for all our non-renewable electricity usage and further explored options for onsite renewable energy generation.

We engaged with top suppliers regarding their climate impact and encouraged them to set science-based emission reduction targets.

Goals for 2024

By December 2025, we will submit our formal targets to SBTi for approval. In the interim, we will assess areas of our operations that could reduce our overall emissions and implement emission reduction plans.

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 our 10 largest suppliers on their greenhouse gas emissions, as well as encourage them to set paths to reduce their emissions. These efforts will help Kadant achieve our science-based targets and reduce our Scope 3 emissions.

Stakeholder Engagement

As a company with manufacturing locations in over 20 countries across the globe, Kadant's stakeholders are widespread, both in location and focus.

Our stakeholders include employees, customers, investors, local communities, and industry groups, and we value our engagement with them as a leading measure of company success. We work hard to gain a better understanding of the issues that are important to them and how Kadant can continuously make a positive impact. Each stakeholder is unique in their needs, and we strive to support them with our diverse portfolio of products, processes, business solutions, financial metrics, and employee and community engagement programs.
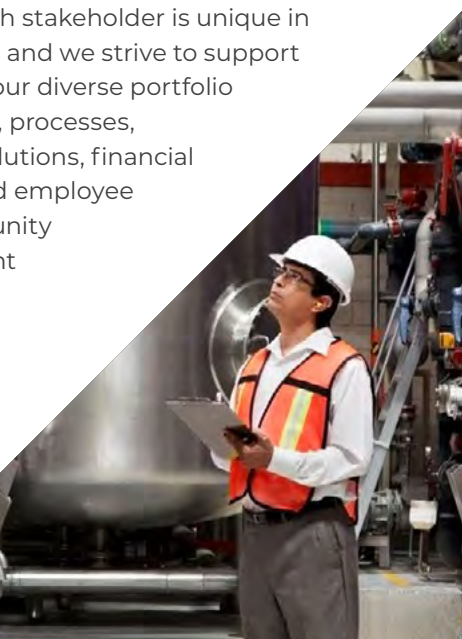
EMPLOYEES

Our employees are essential to the success of Kadant. Their engagement and collaboration are important in shaping our business. Avenues for employee engagement include job rotation and cross-training, multi-rater feedback surveys, leadership development programs, annual performance reviews, and career development programs and opportunities. Annually, we conduct Kadant strategy meetings in which Kadant employees from all over the globe meet to identify strategic growth opportunities at each division.

INVESTORS

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

CUSTOMERS

Close collaboration with our customers is critical to developing new and innovative solutions and products that meet the ever-changing demands of a competitive market. Our close partnership with customers enables us to meet their requirements and expectations for enhancing product efficiency while also reducing their environmental footprint.

LOCAL COMMUNITIES

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

INDUSTRY GROUPS

By actively participating in and taking leadership roles in industry groups and global organizations, we can represent the interests of our stakeholders while gaining valuable insights to share with them.
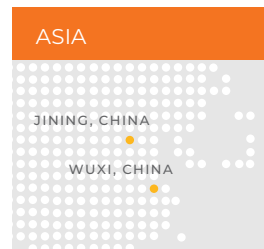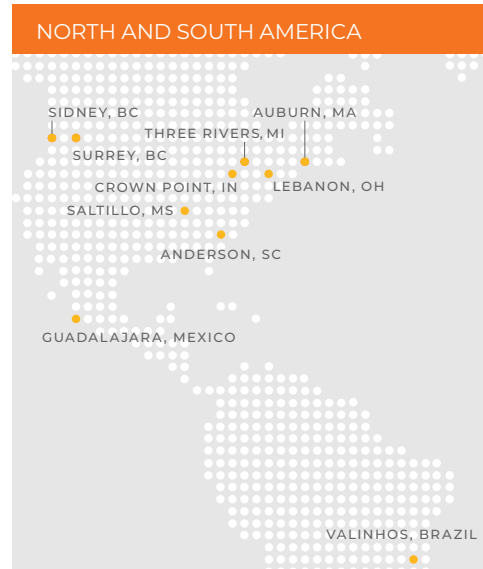
Materiality

This past year, we revisited our material environmental, social, and governance (ESG) related topics to monitor and reassess those most important to Kadant and our stakeholders.

Based on peer benchmarking and internal surveys of our operators, we updated our list of material topics. This year's assessment reflected a double materiality approach, which assessed both Kadant's inward and outward impacts relating to ESG topics. This specifically assessed the topics' impacts on the economy, people, and the planet, as well as their financial implications on Kadant and its long-term success. While these material topics guide our ESG programs, we also communicate our efforts related to a variety of other sustainability topics throughout our corporate sustainability report.

MANUFACTURING LOCATIONS

NORTH AND SOUTH AMERICA

SIDNEY, BC
AUBURN, MA
THREE RIVERS, MI
SURREY, BC
CROWN POINT, IN
LEBANON, OH
SALTILLO, MS
ANDERSON, SC
GUADALAJARA, MEXICO
VALINHOS, BRAZIL

EUROPE

WEESP, THE NETHERLANDS   LOHJA, FINLAND
BURY, UK
HUSKVARNA, SWEDEN
GEORGSMARIENHÜTTE, GERMANY
HÜCKESWAGEN, GERMANY
VITRY-LE-FRANÇOIS, FRANCE

ASIA

JINING, CHINA
WUXI, CHINA

UPDATED 2023 MATERIAL TOPICS

CORPORATE GOVERNANCE

- Financial Performance
- Ethics and Compliance
- Supply Chain Sustainability

INNOVATION

- Research and Development
- Delivering Value to Customers

EMPLOYEES

- Health, Safety, and Wellness
- Recruitment, Retention, and Development

ENVIRONMENT

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

Corporate Governance

At Kadant, we are committed to strong corporate governance practices that enable long-term benefits to all our stakeholders.

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

Board Governance

Our Corporate Governance Guidelines require that the majority of the Board of Directors (Board) be comprised of independent directors. Our Board consists of six members, including two women and five directors who qualify as independent according to the U.S. Securities and Exchange Commission (SEC) and the New York Stock Exchange (NYSE).

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

The Board has a policy that states that the Chairman of the Board and the company's Chief Executive Officer should hold separate offices. Additionally, each member of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee must be an "independent director" as defined by the rules of the SEC and the NYSE. The Nominating and Corporate Governance Committee oversees an annual self-evaluation of the Board to assess its effectiveness and that of its committees.

COMMITTEES

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

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, is responsible for the oversight of risk management.

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

Ethics and Compliance

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

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 or auditing matters, internal accounting controls and financial reporting, bribery or other criminal activity, or insider trading. We do not discipline, discriminate, or retaliate against any employee who reports a concern, or who cooperates in any investigation or inquiry regarding such report, in good faith.

Policies and Guidelines

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

We require all of our management team members to annually review and certify compliance with the following policies:

- Code of Business Conduct and Ethics
- Foreign Corrupt Practices Act Policy
- Global Export Policy
- Insider Trading Policy
- Anti-Harassment Policy

HUMAN RIGHTS

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

To view our policies, please visit our Sustainability page.

Supply Chain Sustainability

Kadant is a global supplier of technologies and engineered systems that drive Sustainable Industrial Processing.

Ensuring our processes are ethical, sustainable, and environmentally responsible throughout our value chain involves close collaboration with our suppliers. Our Global Supplier Code of Conduct outlines the expectations for all our suppliers and subcontractors to conduct business in an ethical, legal, and environmentally responsible manner. The Global Supplier Code of Conduct is communicated to both employees and suppliers involved in the procurement and supply of products and services to Kadant.

In 2023, we engaged directly with our top suppliers to encourage them to align with Kadant's climate strategy and set SBTi goals for their own operations.
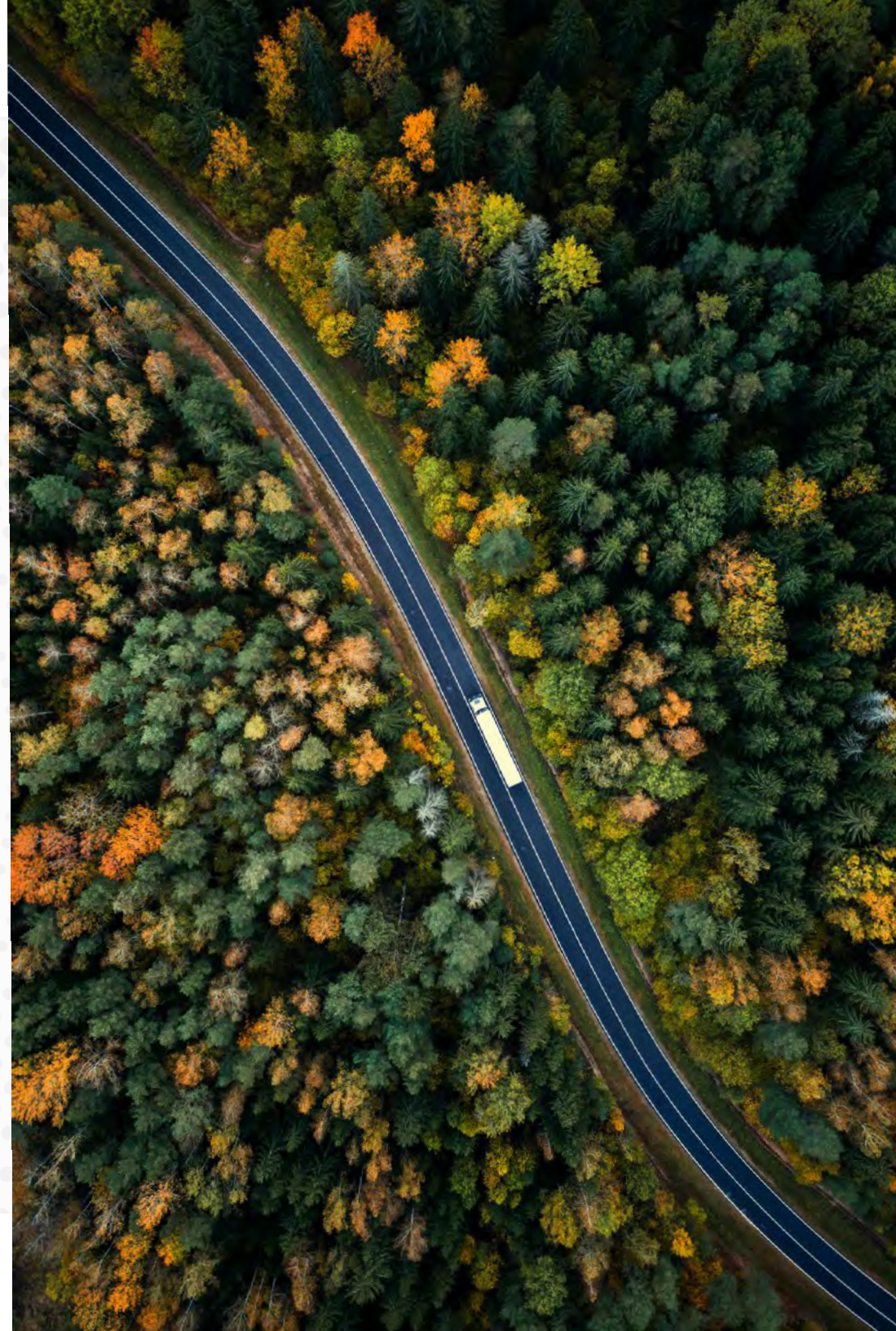
Financial Performance
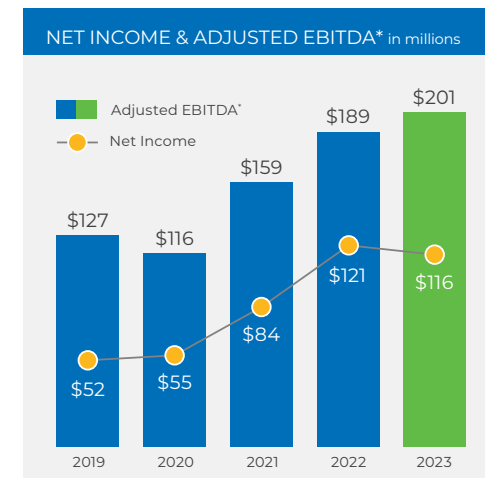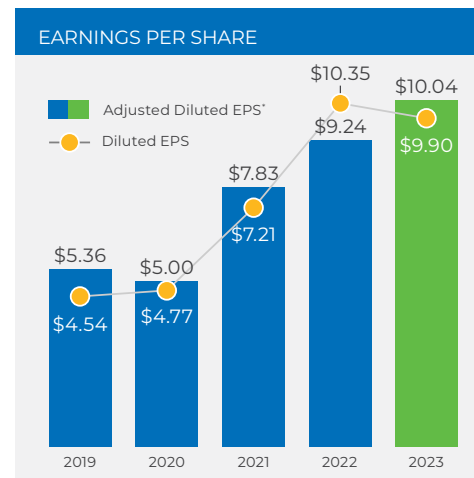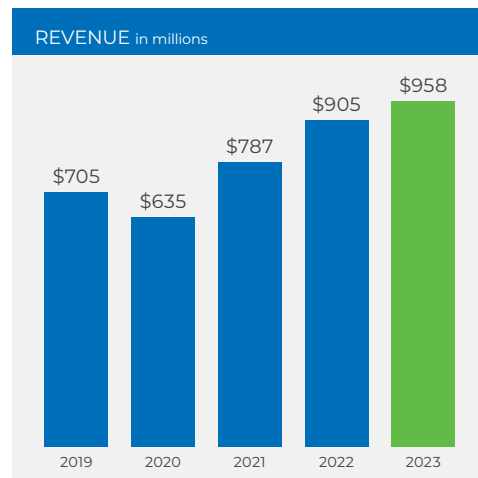
Kadant experienced another record year in 2023.

Strong capital project activity in the first half of the year and sustained high aftermarket demand led to record-setting revenue performance for the year. Revenue increased six percent to $957.7 million, and gross profit margin increased to 43.5 percent from 43.1 percent in 2022. In 2023, net income was $116.1 million, decreasing four percent from 2022. For 2023, our generally accepted accounting principles (GAAP) diluted EPS decreased four percent to $9.90 compared to $10.35 in 2022, which included a $1.30 gain on the sale of a facility in China. In 2023, our adjusted diluted EPS increased nine percent to a record $10.04 compared to $9.24 in 2022, adjusted EBITDA increased six percent to a record $201.3 million and represented a record 21.0 percent of revenue, and our operating cash flow increased 61 percent to a record $165.5 million.

Despite macroeconomic headwinds in certain regions, we had another well-executed year, and our global team deserves much of the credit for the results achieved in 2023.

Additional financial data for fiscal year 2023 can be found in our Annual Report.

In 2023, over

90%

of our revenue related to the UNGC goals

REVENUE in millions

2019	2020	2021	2022	2023
$705	$635	$787	$905	$958

EARNINGS PER SHARE

Adjusted Diluted EPS*
Diluted EPS

	2019	2020	2021	2022	2023
Adjusted Diluted EPS*	$5.36	$5.00	$7.83	$9.24	$10.04
Diluted EPS	$4.54	$4.77	$7.21	$10.35	$9.90

NET INCOME & ADJUSTED EBITDA* in millions

Adjusted EBITDA*
Net Income

	2019	2020	2021	2022	2023
Adjusted EBITDA*	$127	$116	$159	$189	$201
Net Income	$52	$55	$84	$121	$116

*Adjusted diluted EPS (adjusted diluted earnings per share), adjusted EBITDA (adjusted earnings before interest, taxes, depreciation, and amortization), and adjusted EBITDA margin 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* RECONCILIATION

Additional financial data for fiscal year 2023 can be found in our Annual Report.

	2019	2020	2021	2022	2023
Diluted EPS, as reported	$ 4.54	$ 4.77	$ 7.21	$ 10.35	$ 9.90
Adjustments, net of tax					
Gain on sale and other income	–	–	(0.03)	(1.30)	(0.05)
Acquisition-related costs	0.38	0.07	0.61	0.08	0.10
Relocation costs	–	–	–	-	0.05
Restructuring and impairment costs	0.17	0.19	0.08	0.11	0.04
Benefit plan settlement loss	0.55	–	–	–	–
Discrete tax items	(0.29)	(0.03)	(0.04)	–	–
Adjusted Diluted EPS*	$ 5.36	$ 5.00	$ 7.83	$ 9.24	$10.04

ADJUSTED EBITDA* RECONCILIATION in millions

	2019	2020	2021	2022	2023
Net income attributable to Kadant	$ 52.1	$ 55.2	$ 84.0	$120.9	$ 116.1
Net income attributable to noncontrolling interest	0.5	0.5	0.8	0.8	0.7
Provision for income taxes	16.3	17.9	27.2	43.9	42.2
Interest expense, net	12.5	7.2	4.6	5.6	6.7
Other expense, net	6.4	0.3	0.1	0.1	0.1
Operating income	87.8	81.1	116.7	171.3	165.8
Gain on sale and other income	–	–	(0.5)	(20.2)	(0.9)
Acquisition costs	0.8	0.5	3.6	0.7	1.4
Indemnification asset reversals	–	–	–	1.3	0.1
Relocation costs	–	–	–	–	0.8
Restructuring and impairment costs	2.5	3.0	1.0	1.3	0.8
Acquired profit in inventory and backlog amortization	5.0	0.5	5.6	0.5	–
Adjusted operating income*	96.1	85.1	126.4	154.9	168.0
Depreciation and amortization	31.0	30.8	33.0	34.2	33.3
Adjusted EBITDA*	$ 127.1	$ 115.9	$159.4	$ 189.1	$201.3
Adjusted EBITDA Margin*	18.0%	18.3%	20.3%	20.9%	21.0%

*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 or cash flows 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.

Our People

At Kadant, our employees are the driving force behind our products and solutions. We prioritize and value their physical and mental health, well-being, and development both in and out of the workplace.

We are proud to be recognized as a leader in safety, with robust health and safety programs that are designed to promote a safe workplace environment and prevent workplace injuries. We are committed to building a diverse and inclusive workforce where every employee feels welcome and valued. Additionally, we are dedicated to improving our employees' skills and knowledge to meet Kadant's and customers' needs while helping them advance in their careers. We also know the importance of providing resources to surrounding communities and fueling local partnerships.
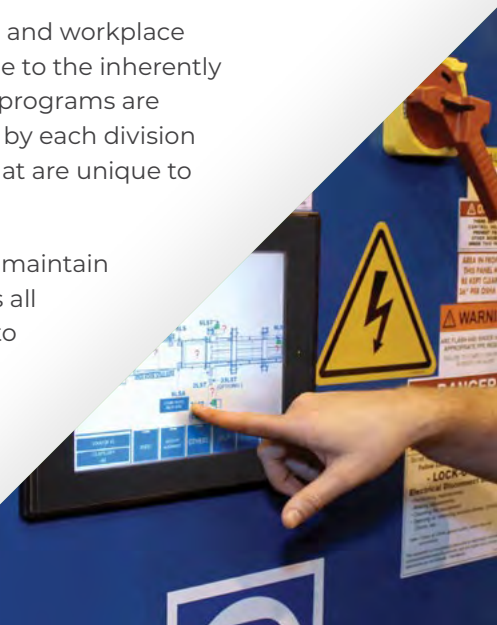

Employee Health, Safety, and Wellness

Alongside our commitment to delivering products and solutions that reduce energy usage and waste and increase overall efficiency, we aim to create a company based on responsible practices, supported by an engaged, empowered, and inclusive workforce. We believe this is fundamental to delivering our business objectives and creating value for society over the long term.

We pay particular attention to employees and workplace conditions on the manufacturing floor due to the inherently heightened risks. Specific safety training programs are individually developed and implemented by each division based on job functions and safety risks that are unique to that division's processes and facilities.

Safety training is one way we continue to maintain and improve our low incident rates across all divisions. These trainings are introduced to new employees as soon as they join the team and emphasize the importance of a zero-tolerance safety culture throughout Kadant.

SAFETY METRICS

Safety data is the strongest indicator of a successful health, safety, and wellness program. In 2023, we had no fatalities, a total recordable injury rate (TRIR) of 2.16 in the United States, and lost time injury (LTIR) of 0.75.

Our Experience Modification Rate (EMR) is

0.96

as of September 1, 2023

Our 2023 TRIR is 18% lower than our average TRIR of 2.64 over the past five years (2019-2023), even with a 4.6% increase in work hours. We ensure that all incidents that occur at our locations are investigated and addressed to prevent future incidents.

Recruitment, Retention, and Development

Recruiting, training, and developing our workforce is essential to our success.

To ensure our employees are engaged, we provide continuous skill development opportunities to meet the needs of the company and our customers. Each division is responsible for employee training and development programs for their employees. These programs often include sector- and job-specific trainings, technical trainings, and leadership and career development opportunities.

Clouth Experts Program

Our Hückeswagen, Germany location implemented an employee development program called "Clouth Experts," through which supervisors evaluate employees in various categories to provide feedback and advice on professional growth.

Ohio's TechCred Program

Many of our manufacturing locations also provide financial support for training and certifications that employees may wish to pursue when the courses align with an employee's role or development goals. Our Lebanon, Ohio location collaborates with the state of Ohio's TechCred program, which helps employees strengthen their workforce by financially supporting employees as they develop the skills necessary to excel in a technology-infused economy. The program has reimbursed our Ohio employees with over $14,000 in technology-related training.

Recognizing Outstanding Employees

In late 2023, our manufacturing location in Saltillo, Mississippi introduced an employee recognition program that utilizes an interactive platform for managers, supervisors, and employees to recognize their coworkers for going above and beyond. The program allows managers and supervisors to award points to employees, which can be redeemed for rewards of their choice.

LinkedIn Learning and MassMep Collaboration

Our Auburn, Massachusetts location implemented two pathways for employees' continued education in 2023 including the expanded use of LinkedIn Learning and a collaboration with the Massachusetts Manufacturing Extension Partnership (MassMep). LinkedIn Learning features courses and videos on products, services, 80/20, and various professional development topics. This location's collaboration with MassMep, a partnership which works with manufacturing firms to improve processes, productivity, and growth, has proven successful as the site received grant funding to conduct a basic manufacturing skills training course.

Equal Opportunity and Non-Discrimination

As an industry leader, we embrace our responsibility to promote diversity and inclusion in the workforce.

A diverse workforce is essential to grow as a company. We seek to hire individuals from all backgrounds and experiences to add diverse perspectives and talents to our product lines and processes, and to our company as a whole. As manufacturing has traditionally been a male-dominated space, Kadant pays special attention to increasing gender diversity in our internal operations and the industry.

We have developed management processes to enable all our employees to be treated fairly and without discrimination and work to foster a safe and inclusive workplace at all our locations. Our employee handbook and Code of Business Conduct and Ethics reinforce our compliance with all applicable laws and regulations as we hire new employees and maintain our current workforce.

Our manufacturing location in Crown Point, Indiana, collaborates with nearby schools to encourage the development of trade skills in the field. The site donates production scrap metal and materials to the schools, which are used for hands-on learning in various courses to teach skills such as welding to students. This also serves to benefit Kadant as the site partners with the local schools to recruit skilled and talented workers.

Corporate-Community Partnerships

Our Three Rivers, Michigan manufacturing location pledged $50,000 to the Three Rivers Promise, an organization that provides financial assistance for college or vocational education to Three Rivers High School graduates, with an additional $50,000 in matching donations.

Innovation

Kadant continues to operate as a leader in our industry by maintaining a focus on research and development (R&D) and delivering products of the highest value to our customers.

We view innovation as the creation, development, and implementation of new products, processes, or services that improve efficiency, effectiveness, or competitive advantage. Our goal is to not only meet, but exceed our customers' expectations.

Research and Development

Our R&D strategy enhances process efficiency, maximizes productivity, and directly addresses the needs of our customers. Sustainable Industrial Processing is key to this and includes products that are manufactured with renewable, less impactful materials, and are designed to be reused or recycled. Operational and energy efficiency is also a crucial component of Sustainable Industrial Processing. In the past year, we have piloted several new sustainability-related product features.

Annually, we conduct Kadant strategy meetings in which Kadant employees meet to identify strategic opportunities to guide R&D efforts at each division.
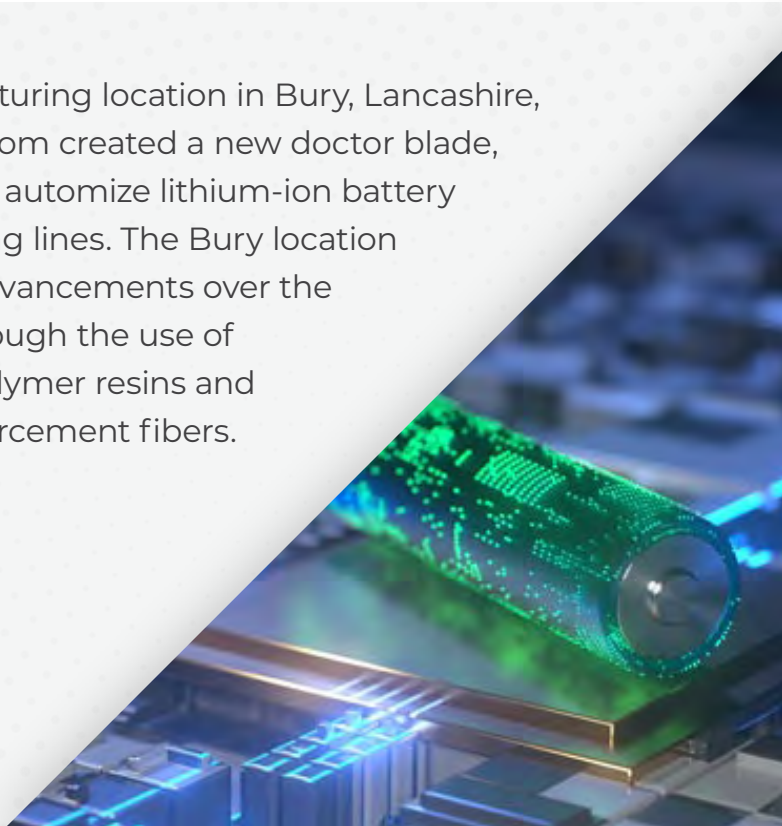
Our Lebanon, Ohio manufacturing location engineered a new FibreWall EverSlot™ Screen Cylinder that ensures the greatest efficiency for stickies removal. The screen cylinder is constructed with our patented chrome-free hardwire metallurgy that provides the optimal solution for removal of stickies and other deformable contaminants. The new technology was also engineered with a chromium-free treatment in alignment with our environmental sustainability goals.

Our manufacturing location in Bury, Lancashire, United Kingdom created a new doctor blade, X-Tek, to help automize lithium-ion battery manufacturing lines. The Bury location also made advancements over the past year through the use of bio-based polymer resins and natural reinforcement fibers.

Delivering Value to Customers

In addition to developing new products, we work with our customers to evaluate the efficiency of their current systems and recommend improvements that increase output, reduce system footprint, and lead to cost savings. Additionally, our product offerings include automation features which enhances customer safety, productivity, efficiencies, and optimizes operational performance.
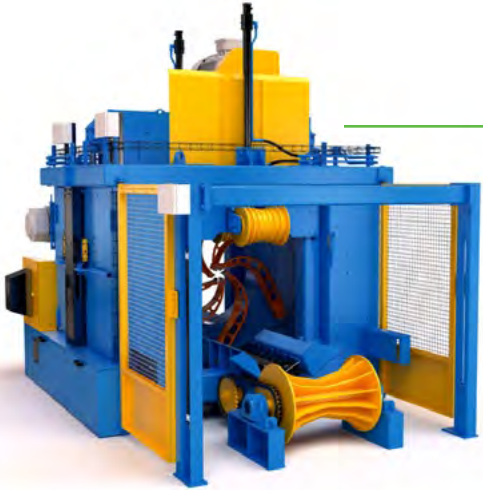
Our Sidney, British Columbia, Canada and Lohja, Finland manufacturing locations collaborated to improve their debarker rotor lubrication oil collection system. The new system allows as much as 90% of the lubrication oil to be reused through a filter unit, saving customers money, and wasting less lubrication oil in the process.

Our Three Rivers, Michigan manufacturing location launched the ThermoZone™ condensate handling station for managing condensate in corrugator double backers. This innovative design enables packaging producers to run hot plates at the low-steam pressure needed for flat, lightweight board. It also monitors the valve life for planned maintenance. This low steam pressure requires less energy and delivers higher quality board.

Our Saltillo, Mississippi manufacturing location contributed to a 42-mile long, fully electric conveyor system that efficiently moves large volumes of sand to where it is needed while reducing safety risks on the roadways and eliminating millions of truck miles driven. This conveyor system also includes a predictive maintenance program to remotely monitor the performance of the system to detect early signs of failure before a shutdown occurs.

Our Surrey, British Columbia, Canada location developed an advanced smart connected stranding machine, the SmartRING 32/98 Gen 2 Strander, which cuts tree length or batch-fed logs into strands for oriented-strand board production. The SmartRING family of stranders has been engineered for efficient, economical production of high-quality strands and with critical wear components which are engineered to be easy to replace and safe to maintain.
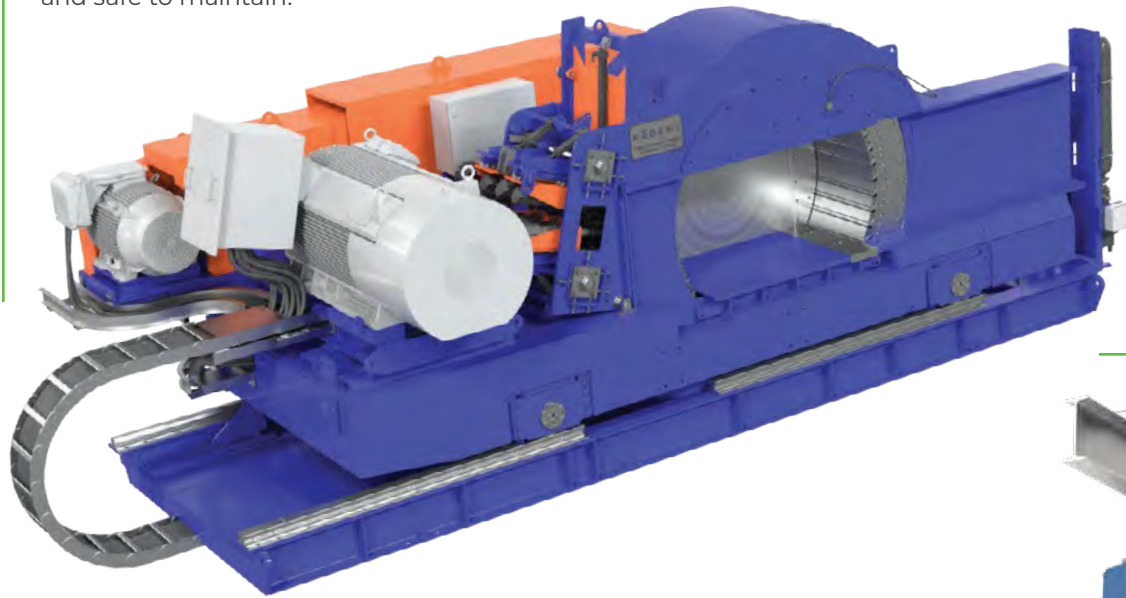
Our Auburn, Massachusetts facility has provided customers with water filtration products and systems since 1992, and in 2023 reached a combined capacity that enables the filtration of 1.2 billion gallons of water a day. This includes up to nearly 600 million gallons a day of white water, resulting in approximately $569 million a year in heating energy savings.

Our Lebanon, Ohio manufacturing location released its intelligent grapple hoist in 2023. This labor-saving, automated product removes waste material from paper pulping machines, and employs automated real time and long-term component monitoring. The ability to anticipate when components need to be updated or refurbished enables customers to plan preventative maintenance, ultimately saving the site from increased expenses and downtime.
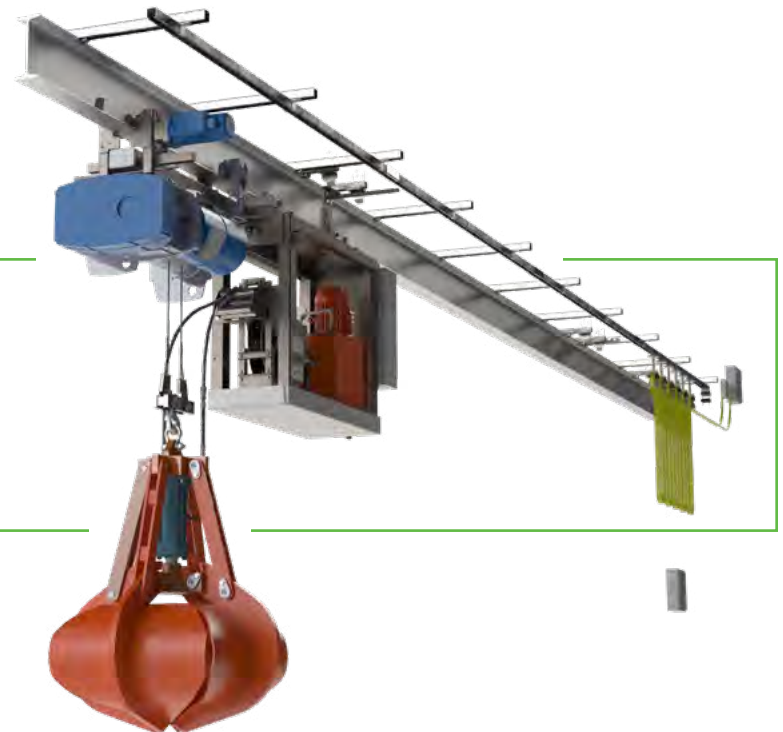
Environment

At Kadant, our value proposition and focus is to support our customers' sustainability efforts through innovative processes and products that enable them to limit waste and energy use, use resources more efficiently, and create more value with fewer inputs.

Kadant participates in the circular economy—the closed-loop economic system that promotes the reuse of raw materials and products as opposed to scrapping them and extracting new resources—through solutions that allow increased recyclability and the ability to use alternative inputs in our products. This year, we launched comprehensive upcycling reject handling technologies that support innovative, cost-effective solutions for reject handling challenges commonly found in the manufacture of pulp and paper. With these products and processes, we also enable our customers and suppliers to uphold circular economy principles.

Energy, Emissions, and Climate Change

A crucial component of our climate strategy is related to our Scope 2 emissions, specifically our electricity usage and resulting greenhouse gas emissions.

Each manufacturing location pursues individual environmental initiatives and programs to reduce their energy usage and emissions.

First set in 2021, we continue to achieve our goal of sourcing 100% of our electricity from renewable sources and through the purchase of renewable energy certificates for all our non-renewable electricity usage. In 2023, we encouraged our manufacturing locations to continue researching and implementing the use of renewable energy sources where feasible. We also actively engage with all levels of our organization to identify solutions to reduce Scope 1 and 3 greenhouse gas emissions.

In 2022, we performed a comprehensive climate-risk assessment which allowed us to identify areas where climate change may represent a material operational, physical, or other form of risk to our business. Please see our TCFD index for an in-depth review of our process and identified climate risks and opportunities. We continue to monitor for risks that may be material to Kadant's operations.
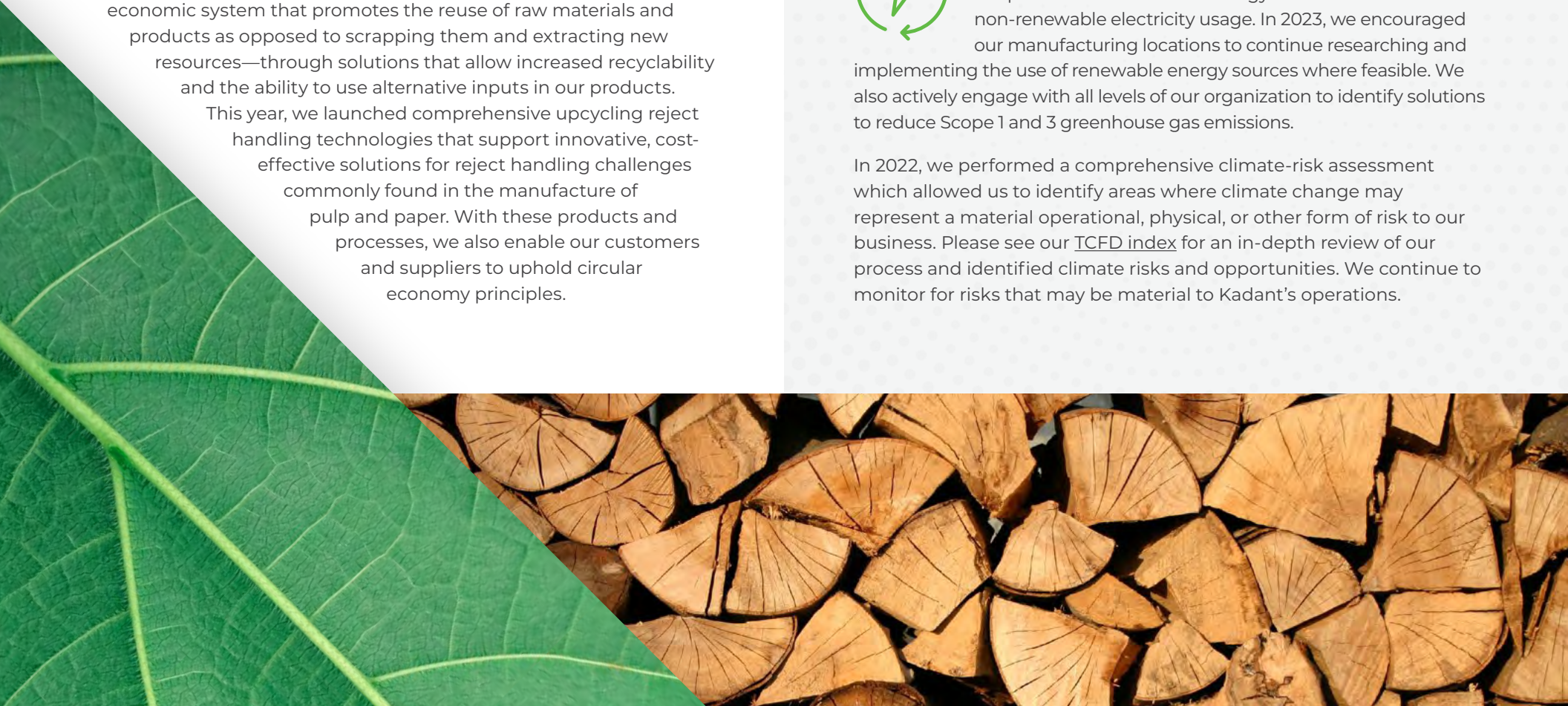
Scope 3 Emissions

While considering the energy usage and emissions from Kadant's direct operations is important, understanding Kadant's impact on the environment throughout our value chain is equally crucial.

In 2022, we identified and quantified applicable Scope 3 categories, and in 2023 continued to make progress in tracking these categories.

Ongoing initiatives include quantifying the materials we source from different suppliers, estimating their climate-related impact, and identifying opportunities to engage with suppliers regarding alternative materials and/or alternative processes for manufacturing 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.

For Scope 3, we calculate our emissions using the U.S. Environmental Protection Agency's (EPA) Environmentally-Extended Input-Output (EEIO) emission factors and base 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 improve.

CUSTOMER RESOURCE SAVINGS

Our products enable our customers to maximize resource usage and play a major role in processing pulp and paper for recycling—an invaluable element of the circular economy. As part of the paper and forestry industry, it is crucial that our products minimize the use of natural resources.

SCOPE 3 EMISSIONS*

CATEGORY	ESTIMATED 2022 EMISSIONS (MT CO$_2$e)	ESTIMATED 2023 EMISSIONS (MT CO$_2$e)
Category 1: Purchased Goods & Services	204,000	120,600
Category 2: Upstream Capital Goods	6,500	3,700
Category 3: Upstream Fuel & Energy-Related Activities	10,000	5,700
Categories 4 and 9: Transportation & Distribution	10,500	16,600
Category 6: Business Travel	6,900	5,800
Category 7: Employee Commuting	12,750	14,000
Total Scope 3 Emissions	250,650	166,400

*Categories determined most relevant to Kadant and its operations.

ENVIRONMENTAL DATA

ACTIVITIES		PERFORMANCE INDICATOR	UNIT	2021	2022	2023
Energy	Electricity		MWh	36,159	36,869	34,888
	Building or process heating	Natural gas, oil	MWh	158,001	144,655	123,806
	Building district heating	District energy	MWh	250	250	23
	Generators and forklifts	Diesel and propane	MWh	1,274	1,274	1,202
	Vehicles	Diesel and gasoline	MWh	3,261	4,085	3,615
		Total Energy Usage	**MWh**	**198,945**	**187,133**	**163,534**
		Percentage of consumed energy from the grid	**%**	**18**	**20**	**21**
GHG	Building electricity		MTCO$_2$e	0*	0*	0*
	Building or process heating		MTCO$_2$e	28,597	26,415	22,660
	Building district heating		MTCO$_2$e	56	43	4
	Generators and forklifts		MTCO$_2$e	272	273	258
	Vehicles		MTCO$_2$e	835	974	847
		Total GHG Emissions	**MTCO$_2$e**	**29,760**	**27,704**	**23,769**
	Direct (Scope 1)		MTCO$_2$e	29,704	27,662	23,765
	Indirect (Scope 2)		MTCO$_2$e	56	43	4
	Indirect (Scope 3)		MTCO$_2$e	NA	250,650	166,400

*In 2021, 2022, and 2023 Kadant purchased renewable energy certificates, representing electricity generated from renewable resources, covering all non-renewable electricity usage across all its businesses.

We are particularly proud of the improvements in our energy usage over the past year. Even with a six percent increase in revenue, our locations **reduced our overall energy usage by 13 percent**.

SCIENCE-BASED GREENHOUSE GAS REDUCTION TARGETS INITIATIVE

This past year, we formally submitted our Letter of Commitment to the Science-Based Targets Initiative (SBTi), outlining our intent to set formal targets within the next two years to be approved by SBTi. We are developing a climate action plan that aligns with SBTi criteria and with the Paris Agreement's recommended 1.5°C threshold and will set targets for relevant Scope 1, Scope 2, and Scope 3 emissions through SBTi. After submitting our Official Letter of Commitment in December 2023, we have 24 months to present our target to SBTi for official validation. These goals will align with our strategic focus to support the decarbonization of the technology and engineered systems industry and further our commitment to sourcing renewable energy where possible and reducing emissions across our value chain.

Effluents, Waste, and Recycling

One of Kadant's most important value propositions is that our products enable customers to operate more efficiently, requiring less input material and producing less waste. Accordingly, we monitor and seek to reduce the total waste production across our locations. 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. We reduce our waste through a recycle and reuse strategy, specifically targeting the metal, wood, and cardboard scraps that we accumulate, rather than sending to landfill.

WASTE	APPROX. WASTE GENERATED IN 2023 (MT)
Hazardous Waste	150
Non-Hazardous Waste	3,700
Total Waste	**3,850**

Our manufacturing location in Crown Point, Indiana produces balers that include energy-efficient hydraulic power packs. These use regenerative circuits to save energy while maximizing throughput capacity.

In 2023, our Saltillo, Mississippi location reduced their natural gas and electricity use by 10 and six percent, respectively, compared to 2022. Natural gas reduction was achieved through a more efficient way of heating the powder coat oven, more efficient use of bay doors in the shop while heaters are operating, and the installation of a new hook burn oven. Electricity usage reduction was related to the installation of high bay LED lights in the shop, the replacement of incandescent lighting from most workstations with LED lights, and the repair of air leaks to reduce shop air compressor operating time.

Our manufacturing location in Wuxi, Jiangsu, China implemented a system to generate 150 kilowatts of solar energy on its workshop roof, while our Surrey, British Columbia location installed LED lighting in the offices and mezzanine, as well as energy-efficient air compressors.

To reduce natural gas consumption, our Lebanon, Ohio location added shutdown thermostats to all heating units in manufacturing spaces. These thermostats shut off the gas when temperatures reach a certain point yet can quickly reignite the gas when temperatures fall below a certain threshold. These thermostats help in reducing the Lebanon location's overall energy use and greenhouse gas emissions.

Kadant diverts approximately **150,000 tons** of sludge from our customers' paper production process from landfill disposal every year. In 2023, the diverted sludge consisted of approximately **60% water** which equates to approximately **60,000** dry tons of material.

~1B
tons of paper recycled by our machines over the past 10 years

7,800
tons of metals used in our products

~690
megaliters of water withdrawn globally in 2023

~1,300
tons of metal, including steel, recycled

Our Surrey, British Columbia, Canada location produces stranders that aid waste stream reductions in oriented strand board mills. The design of these stranders reduces fines – waste by-products after cutting logs into strands that are normally burned or discarded as waste – by three to eight percent compared to alternative stranding machines.

Our Crown Point, Indiana manufacturing location engineered the CoreMaster Core Shredder in 2023, which takes hundreds of cardboard cores that are left over from packaging production daily and shreds them into existing balers. This is a major improvement in material handling, cutting down on the need for transportation via forklift and semi-trailer. Ultimately this will save the customer time and cost, but also significantly reduce the negative impact on the environment by lessening greenhouse gas emissions and increasing recycling of over 20 million pounds of scrap and waste.

Our Vitry-le-Francois, France location became a member of 4evergreen in 2023, an alliance that brings together companies across the fiber-based packaging industry who are dedicated to promoting circularity and sustainability.

We announced the launch of the upcycling reject handling line as an integral part of Kadant's fiber processing offerings. This comprehensive upcycling reject handling technology provides advanced solutions for coarse reject handling, fine reject handling, and wastewater management. Innovation is an ongoing focus of our upcycling initiative, including the development of a thermoplastic system that will recover and process plastic waste as part of our comprehensive waste management solution.

Our Bury, Lancashire, United Kingdom, location rebuilt the laminate press steam system in 2023. The rebuild included the use of new pressure reduction and wastewater collection equipment, in an effort to eliminate unplanned discharge. This project proved to be a success as it reduces process water discharge by approximately 350 cubic meters per month.

We opened our new state-of-the-art manufacturing location in Jining, Shandong, China. This facility includes various environmental benefits such as optimizing resource utilization and reducing overall energy consumption and environmental pollution.

Materials Used

We have manufacturing operations around the world, and each location is responsible for procuring the materials, including metals, chemicals, and rubber compounds to make our products.

As part of our efforts to quantify our Scope 3 greenhouse gas emissions and reduce the quantity of materials used in operations and products (while still ensuring durability), we compiled data about material usage globally.

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 2023, there were no significant violations regarding our compliance with any of these rules or regulations.
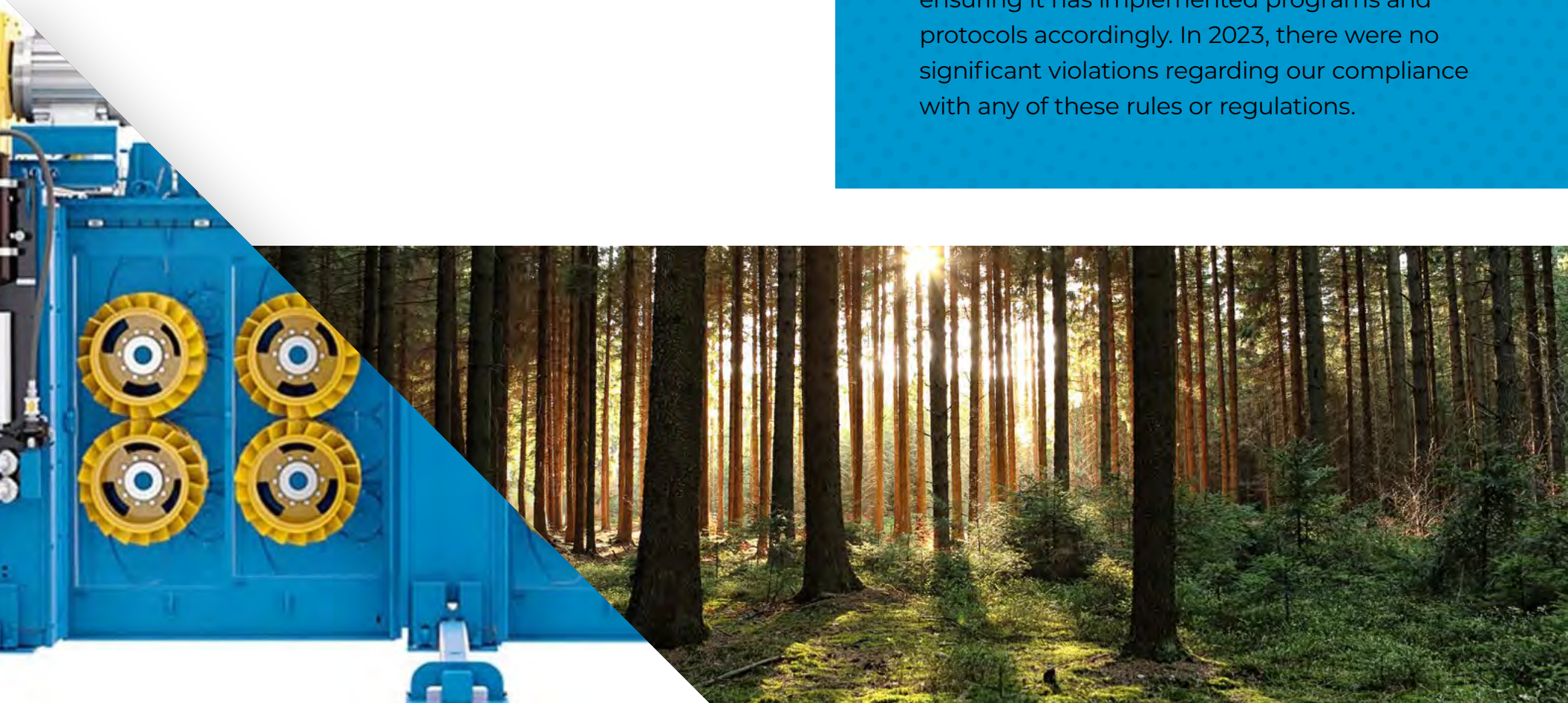
About This Report

Kadant's 2023 Corporate Sustainability Report provides an overview of our ESG efforts. All information and data in this report are for the fiscal year ended December 30, 2023 (2023 fiscal year) and convey not only the Kadant corporate perspective but the sustainability efforts of Kadant's manufacturing locations.

Our report is aligned with the Sustainability Accounting Standards Board (SASB) Industrial Machinery and Product Standards disclosures as recommended per the IFRS Foundation's International Sustainability Standards Board (ISSB). This report also includes our Task Force on Climate-related Financial Disclosures (TCFD) Report, which was first reported in the 2022 Corporate Sustainability Report. The full TCFD report can be found in the appendix to this report.

Kadant also reports in accordance with the GRI Standards for the period January 1–December 30, 2023. This report contains disclosures relevant to the SASB Industrial Machinery and Product Standards. Kadant became a participant of the UN Global Compact (UNGC) in 2021, and 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 in this report were calculated according to the Greenhouse Gas (GHG) Protocol Corporate Standard. We track the evolving global voluntary and regulatory reporting standards as they pertain to the frameworks and standards to which we align and disclose our ESG-related information.

GRI Content Index

For the Content Index – Essentials Service, GRI Services reviewed that the GRI content index has been presented in a way consistent with the requirements for reporting in accordance with the GRI Standards, and that the information in the index is clearly presented and accessible to the stakeholders. Data in the report represents the majority of our wholly owned Kadant operations able to provide data for any topic.

Statement of use	Kadant has reported in accordance with the GRI Standards for the period 1 January 2023 to 30 December 2023.
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	2-1 Organizational details	**Kadant Inc.**: One Technology Park Drive Westford, Massachusetts 01886, United States **Kadant Facilities Worldwide**: Kadant's facilities are located in approximately 20 countries worldwide. A full list of our manufacturing locations is available at: https://www.kadant.com/en/our-businesses. Kadant Inc. is listed on the New York Stock Exchange (NYSE: KAI)
	2-2 Entities included in the organization's sustainability reporting	This report covers Kadant Inc. and its subsidiaries.
	2-3 Reporting period, frequency and contact point	**Reporting period**: 1 January 2023 - 30 December 2023 **Frequency**: Annual **Contact point**: Stacy Krause, Senior Vice President, General Counsel, and Secretary: Stacy.Krause@kadant.com
	2-4 Restatements of information	There were no restatements of information during the reporting period.
	2-5 External assurance	At this time, Kadant has decided to not seek external assurance for the report. Kadant will investigate this for future years.
	2-6 Activities, value chain, and other business relationships	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 approximately 20 locations worldwide and approximately 3,400 employees. Kadant generated $957.7 million in revenue in 2023. For more information on Kadant's value chain, see Supply Chain Sustainability, page 13. Kadant's supply chain consists of thousands of upstream suppliers, approximately 500 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. Kadant brands, products, and services are available at: https://www.kadant.com/en/our-businesses.

GRI Standard/Other Source	Information / Location in Report
2-7 Employees	Kadant is headquartered in Westford, Massachusetts, with approximately 20 locations worldwide and approximately 3,400 employees. At our corporate headquarters, our employees are 62% male and 38% female. See Our People, page 16 for more information.
2-8 Workers who are not employees	Not applicable: Information on workers who are not employees is currently not applicable since this data is immaterial to our business in the reporting period.
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 37.
2-13 Delegation of responsibility for managing impacts	See Management Approaches, page 37.
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 15–17 in our 2023 Proxy for more information. Kadant's 2024 Proxy will be released after the publication of the 2023 Sustainability Report. When published, please find the 2024 Proxy online at https://www.sec.gov/edgar/browse/?CIK=886346&owner=exclude.
2-15 Conflicts of interest	In 2023, Kadant had no conflicts of interest.
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 2023 Proxy Statement on pages 4–7. Kadant's 2024 Proxy will be released after the publication of the 2023 Sustainability Report. When published, please find the 2024 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 2023 Proxy Statement on pages 11–14. Kadant's 2024 Proxy will be released after the publication of the 2023 Sustainability Report. When published, please find the 2024 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 2023 Proxy Statement on pages 18–41. Kadant's 2024 Proxy will be released after the publication of the 2023 Sustainability Report. When published, please find the 2024 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 2023 Proxy Statement on pages 18–41. Kadant's 2024 Proxy will be released after the publication of the 2023 Sustainability Report. When published, please find the 2024 Proxy online at https://www.sec.gov/edgar/browse/?CIK=886346&owner=exclude.
2-21 Annual total compensation ratio	See our 2023 Proxy Statement, page 33. Kadant's 2024 Proxy will be released after the publication of the 2023 Sustainability Report. When published, please find the 2024 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 37.
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 2023, 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. See page 8 for more information.
2-30 Collective bargaining agreements	29% 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, pages 8–9.
GRI 3: Material Topics 2021	3-2 List of material topics	See Stakeholder Engagement and Materiality, pages 8–9.
Economic Performance (Kadant Material Topic: Financial Performance)		
GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, page 37.
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	See Financial Performance, page 14.
GRI Relevant Disclosure: Corporate Governance (Kadant Material Topic: Ethics and Compliance)		
GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, page 37.
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 37.
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Kadant has an annual recertification of the Anti-Corruption/FCPA Policy. Please see Management Approaches, page 37 for more information.
	205-3 Confirmed incidents of corruption and actions taken	In 2023, 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 38.
Kadant Own Disclosure: Research and Development	R&D Expenses as percentage of revenue	R&D expenses represented 1.42% of our revenue in fiscal year 2023.

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 38.
Kadant Own Disclosure: Delivering Value to Customers	Product innovation	See Innovation, page 19.

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 38.
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	See Our People, page 16.
	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 16.
	403-4 Worker participation, consultation, and communication on occupational health and safety	See Our People, page 16.
	403-5 Worker training on occupational health and safety	See Our People, page 16.
	403-6 Promotion of worker health	See Our People, page 16.
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	See Our People, page 16.
	403-8 Workers covered by an occupational health and safety management system	See Our People, page 16.
	403-9 Work-related injuries	Total U.S. Reportable Injury (TRIR) Rate = 2.16. See Our People, page 16.
	403-10 Work-related ill-health	See Our People, page 16.

Training and Education (Kadant Material Topic: Recruitment, Retention, and Development)		
GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, page 38.
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: Recruitment, Retention, and Development)

GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, page 38.
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	At the end of 2023, Kadant's board of directors ("Board") was comprised of six directors: two women and four men.

Non-Discrimination (Kadant Material Topic: Recruitment, Retention, and Development)

GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, page 38.
GRI 406: Non-Discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	In 2023, 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 39.
GRI 302: Energy 2016	302-1 Energy consumption within the organization	See Environmental Data, page 24.

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

GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, page 39.
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	See Environmental Data, page 24.
	305-2 Energy indirect (Scope 2) GHG emissions	See Environmental Data, page 24.
	305-3 Other indirect (Scope 3) GHG emissions	See Scope 3 Emissions, page 23 and Environmental Data, page 24.

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

GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, page 39.
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 greenhouse gas emissions show that steel and steel-related materials were the most impactful. In 2023, we used approximately 7,500 MT of steel, based on steel weight data provided by our manufacturing locations.

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 39.
GRI 303: Water and Effluents 2018	303-3 Water withdrawal	Total: 694 megaliters Total water withdrawal from areas with water stress: 7 megaliters
	303-4 Water discharge	Total: 655 megaliters There was no water discharge to areas with water stress.
	303-5 Water consumption	Total: 693 megaliters Total consumption from areas with water stress: 6 megaliters
Waste (Kadant Material Topic: Effluents, Waste, and Recycling)		
GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, page 39.
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	See Effluents, Waste, and Recycling, page 25.
	306-2 Management of significant waste-related impacts	See Management Approaches, page 39.
	306-3 Waste generated	See Effluents, Waste, and Recycling, page 25.
	306-4 Waste diverted from disposal	Total waste diverted from disposal: 2,317.23 MT Total hazardous waste diverted from disposal: 22.71 MT • Reuse: 0 MT • Recycling: 16.98 MT • Recovery: 5.73 MT Total non-hazardous waste diverted from disposal: 2,294.52 MT • Reuse: 386.13 MT • Recycling: 1,660.79 MT • Recovery: 247.60 MT
	306-5 Waste directed to disposal	Total waste directed to disposal: 1,454.40 MT Total hazardous waste directed to disposal: 116.91 MT • Incineration: 17.50 MT • Landfill: 15.27 MT • Deep well injection: 0 MT • Other: 84.14 MT Total non-hazardous waste directed to disposal: 1,337.49 MT • Incineration: 177.94 MT • Landfill: 1,102.55 MT • Deep well injection: 0 MT • Other: 57.00 MT

Supplier Environmental Assessment (Kadant Material Topic: Supply Chain Sustainability and Environmental Compliance)		
GRI 3: Material Topics 2021	3-3 Management of material topics	See Management Approaches, page 37.
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	See Supply Chain Sustainability, page 13.
	308-2 Negative environmental impacts in the supply chain and actions taken	See Supply Chain Sustainability, page 13.

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. Our management team at corporate and our locations are annually required to review and certify compliance with the Code of Business Conduct and Ethics, 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 pivotal events and acquisitions. As part of our commitment to continually improve training on ethics and compliance, we implemented an online compliance training platform that 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. Over the past several years, we also required management at each location to complete an interactive training on code of conduct, anti-bribery, anti-corruption, and insider trading. The corporate legal department provides an annual compliance report 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 from both 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 2023, we followed up with suppliers to encourage them to implement climate goals and set science-based targets. This initiative would help in reducing our Scope 3 emissions, while also encouraging our supply chain to make sustainable improvements throughout their operations.

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. 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 and 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, safety, and wellness are important throughout the organization, but primarily affect 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 are 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 are 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, emissions, and climate change: 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.

- Effluents, 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		2023 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 31.
Principle 4	The elimination of all forms of forced and compulsory labor	See pages 37–38.
Principle 5	The effective abolition of child labor	See pages 37–38.
Principle 6	The elimination of discrimination in respect of employment and occupation	See pages 34 and 38.
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 13 and pages 22 - 25.
Principle 9	Encourage the development and diffusion of environmentally friendly technologies	See page 19.
Anti-corruption		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	See pages 32 and 37.

SASB Index

SASB Industrial Machinery and Products Standard			
Energy Management			
Accounting Metric(s)	**Code**	**Unit**	**2023 Response or Location in Report**
(1) Total energy consumed; (2) percentage grid Electricity; (3) percentage renewable	RT-IG-130a.1	Gigajoules (GJ), Percentage (%)	See page 24.
Workforce Health & Safety			
(1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR) for (a) direct employees and (b) contract employees	RT-IG-320a.1	Rate	See pages 4 and 16.
Fuel Economy and Emissions Use-phase			
Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	RT-IG-410a.1	Litres per 100 tonnekilometres	Given this data is not relevant to our business performance nor readily available, we chose not to disclose this data at this time.
Sales-weighted fuel efficiency for nonroad equipment	RT-IG-410a.2	Litres 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.
Sales-weighted fuel efficiency for stationary generators	RT-IG-410a.3	Kilojoules per litre	Given this data is not relevant to our business performance nor readily available, we chose not to disclose this data at this time.
Sales-weighted emissions of (1) nitrogen oxides (NO_x) and (2) particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy-duty engines and (d) other non-road diesel engines	RT-IG-410a.4	Grammes per kilojoule	Given this data is not relevant to our business performance nor readily available, we chose not to disclose this data at this time.
Materials Sourcing			
Description of the management of risks associated with the use of critical materials	RT-IG-440a.1	n/a	Each Kadant subsidiary has individual management approaches to risks associated with the sourcing and use of critical materials.
Remanufacturing Design and Services			
Revenue from remanufactured products and remanufacturing services	RT-IG-440b.1	Reporting currency	Approximately $13 million
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 30, 2023.
Number of employees	RT-IG-000.B	Number	In 2023, we had approximately 3,400 employees.

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 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

• Increase in customer focus on sustainable services and products

• Increase in investment costs

Each of these risks could require increased expenditures on our part to mitigate them, including lowering 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 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 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 in 2023 have continued to 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" 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.

We are developing a climate action plan that aligns with SBTi criteria and with the Paris Agreement's recommended 1.5°C threshold and will set targets for relevant Scope 1, Scope 2, and Scope 3 emissions through SBTi. After submitting our Official Letter of Commitment in December 2023, we have 24 months to present our target to SBTi for official validation. These goals will align with our strategic focus to support the decarbonization of the technology and engineered systems industry and further our commitment to sourcing renewable energy where possible and reducing emissions across our value chain.

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