

# KADANT INC.

## Corporate Governance Guidelines

The Board of Directors of Kadant Inc. (the “Company”) has adopted the following Corporate Governance Guidelines (the “Guidelines”) to assist the Board of Directors in the exercise of its duties and responsibilities and to serve the best interests of the Company and its stockholders. The Guidelines should be applied in a manner consistent with all applicable laws and stock exchange rules and the Company’s charter and by-laws, each as amended and in effect from time to time. The Guidelines provide a framework for the conduct of the business of the Board of Directors. The Board of Directors may modify or make exceptions to the Guidelines from time to time in its discretion and consistent with its duties and responsibilities to the Company and its stockholders.

### Director Responsibilities

1. Oversee Management of the Company. The principal responsibility of the directors is to oversee the management of the Company and, in so doing, serve the best interests of the Company and its stockholders. In discharging their fiduciary duties of care, loyalty and candor, directors are expected to exercise their reasonable business judgment to act in what they reasonably believe to be the best interests of the Company and its stockholders. In exercising their responsibilities, the Company’s directors are governed by the Company’s certificate of incorporation, by-laws and the Delaware General Corporation Law, as in effect from time to time.
2. Understand the Company and its Business. Directors have an obligation to become and remain informed about the Company and its business. Among other means, directors accomplish this goal through:
  - attending Board of Directors meetings and committees on which they serve and devoting the time needed, and meeting as frequently as necessary, to discharge their responsibilities properly;
  - reviewing, in advance of meetings of the Board of Directors and its committees, briefing materials that are provided in advance of the meetings;
  - being a thoughtful, active participant in meetings of the Board of Directors and its committees, and applying their knowledge, experience and judgment in the interests of the Company;
  - limiting their activities to those that are properly within the role and scope of a board of directors to oversee management and avoiding micro-management;
  - discussing the business, strategies and plans of the Company with senior management and periodically visiting the principal business establishments of the Company; and

- seeking to remain generally informed of developments and events outside the Company that are relevant to the business and affairs of the Company or to corporate governance.
3. Integrity of Directors. Directors are also expected to exercise a high degree of integrity in discharging their responsibilities. Directors accomplish this goal by, among other means:
- seeking to avoid relationships, interests or activities that are likely to give rise to conflicts of interest with respect to matters coming before the Board of Directors;
  - in the event that a conflict of interest exists with respect to any matter coming before the Board of Directors, inform the Board of Directors of all material facts with respect to the director's relationship to or interest in such matter; and
  - complying with the Company's policies, practices and codes of conduct, including pre-clearance and black-outs on trading activity.
4. Reliance on Management and Advisors; Indemnification. The directors are entitled to rely on the Company's senior executives and its outside advisors, independent auditor and legal counsel, except to the extent that any such person's integrity, honesty or competence is in doubt. The directors are also entitled to Company-provided indemnification, statutory exculpation and directors' and officers' liability insurance.

### **Director Qualification Standards**

1. Independence. A majority of the members of the Board shall be independent directors. The independence of a director shall be determined in accordance with the laws, regulations and rules applicable to such determination, including the independence standards contained in the rules of the New York Stock Exchange. To be considered independent, the Board of Directors shall have determined, in its judgment, that the director does not have a material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company).

The Board of Directors has established guidelines to assist it in determining whether a director has a material relationship with the Company. Under these guidelines, a director will not be considered to have a material relationship with the Company if (1) he or she is independent, as determined under the rules of the New York Stock Exchange and (2) he or she:

- receives, or has an immediate family member that receives, less than \$120,000 in direct compensation from the Company for services rendered, excluding director and committee fees or deferred compensation for prior service;
- is an executive officer of another company that does business with the Company, unless the annual sales to, or purchases from, the Company account for more than two percent or \$1 million, whichever is greater, of the annual consolidated gross revenues of the company he or she serves as an executive officer;
- is an executive officer of another company which is indebted to the Company, or to which the Company is indebted, unless the total amount of either company's

indebtedness to the other is more than one percent of the total consolidated assets of the company he or she serves as an executive officer; or

- serves as an officer, director or trustee of a charitable organization, unless the Company's discretionary charitable contributions to the organization are more than the greater of \$1 million or 2% of the organization's total annual charitable receipts. The automatic matching of employee charitable contributions will not be included in the amount of the Company's contributions for this purpose.

In addition, ownership of a significant amount of the Company's stock, by itself, does not constitute a material relationship.

For relationships not covered by the guidelines set forth above, the determination of whether a material relationship exists shall be made by the other members of the Board of Directors who are independent as defined above.

2. Size of the Board. The Board of Directors, through its Nominating and Corporate Governance Committee, shall periodically review the size and composition of the Board of Directors, depending on circumstances and changes in the Company's business.
3. Other Directorships. The Board of Directors does not believe that its members should be prohibited from serving on boards of other organizations, although a director should limit the number of other public company boards on which he or she serves so that he or she is able to devote adequate time to his or her duties to the Company, including preparing for and attending meetings. The Nominating and Corporate Governance Committee shall take into account the nature of and time involved in a director's service on other boards in evaluating the suitability of individual directors and making its recommendations to the Board of Directors for various purposes. Service on boards and/or committees of other organizations shall comply with the Company's conflict of interest policies.
4. Tenure. The Board of Directors does not believe it should establish term limits. Term limits could result in the loss of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and an institutional memory that benefit the entire membership of the Board of Directors as well as management. As an alternative to term limits, the Nominating and Corporate Governance Committee shall review each director's continuation on the Board of Directors at least once every three years. This will allow each director the opportunity to conveniently confirm his or her desire to continue as a member of the Board of Directors and allow the Company to conveniently replace directors who are no longer interested or effective.
5. Retirement. Any director, other than certain grandfathered members of the Board of Directors, who reaches the age of 75 while serving as a director will retire from the Board effective at the end of his or her then current term.
6. Separation of the Offices of Chairman and Chief Executive Officer. The Board of Directors has a policy that the offices of Chairman of the Board and Chief Executive Officer should be separate. The Board of Directors does not have a policy as to whether the Chairman of the Board should be selected from among the independent directors or should be an employee of the Company.

7. Selection of New Director Candidates. Except where the Company is legally required by contract, bylaw or otherwise to provide third parties with the ability to nominate directors, the Nominating and Corporate Governance Committee shall be responsible for (i) identifying individuals qualified to become members of the Board of Directors, consistent with criteria approved by the Board, and (ii) recommending to the Board of Directors the persons to be nominated by the Board of Directors for election as directors at any annual or special meeting of stockholders and the persons to be elected by the Board of Directors to fill any vacancies on the Board of Directors. Director nominees shall be selected by the Nominating and Corporate Governance Committee in accordance with these Guidelines, the policies and principles in its charter, and the criteria set forth in an appendix to these Guidelines. It is expected that the Nominating and Corporate Governance Committee will have direct input from the Chairman of the Board and the Chief Executive Officer. The Nominating and Corporate Governance Committee shall be responsible for reviewing with the Board of Directors the requisite skills and criteria for new members as well as the composition of the Board of Directors as a whole and shall consider candidates proposed by stockholders.
8. Extending the Invitation to a New Director Candidate to Join the Board of Directors. The invitation to join the Board of Directors should be extended by the Chairman of the Board, on behalf of the Board of Directors, and the Chairman of the Nominating and Corporate Governance Committee, on behalf of such Committee. Unauthorized approaches to prospective directors can be premature, embarrassing and harmful.
9. Former Chief Executive Officer's Board Membership. The Board of Directors believes that the continuation of a former Chief Executive Officer of the Company on the Board of Directors is a matter to be decided in each individual instance by the Board of Directors, upon recommendation of the Nominating and Corporate Governance Committee. Accordingly, when the Chief Executive Officer ceases to serve in that position, he or she will be expected to resign from the Board of Directors if so requested by the Board of Directors, upon recommendation of the Nominating and Corporate Governance Committee.
10. Majority Voting Standard; Resignation Policy. As a condition to being nominated by the Board for re-election as a director, each incumbent director must deliver to the Board an irrevocable resignation from the Board that will become effective if, and only if, both (1) in the case of an Uncontested Election (as defined below), the votes cast "for" such nominee's election do not exceed the votes cast "against" such nominee's election (with "abstentions" and "broker non-votes" not counted as a vote "for" or "against" such nominee's election) (the "Required Vote") and (2) the Board determines to accept such resignation in accordance with these Guidelines.

An incumbent director who does not receive the Required Vote in an Uncontested Election and who has tendered his or her resignation pursuant to this provision shall continue to serve as a director while the Committee (as defined below) and the Board decide whether to accept or reject his or her resignation.

If any incumbent director in an Uncontested Election does not receive the Required Vote, the Committee and the Board shall follow the procedures outlined below in deciding whether or not to accept such director's resignation, all of which procedures shall be

completed within 90 days following the certification of the stockholder vote from such meeting:

- The Committee shall evaluate the bests interest of the Company and its stockholders and shall recommend to the Board the action to be taken with respect to such resignation (which can range from accepting the resignation, to maintaining the director but addressing what the Committee believes to be the underlying cause of the against votes, to resolving that the director will not be re-nominated in the future for election, to rejecting the resignation or conditioning it upon the appointment of a replacement director). In reaching its recommendation, the Committee shall consider all factors it deems relevant, including but not limited to, as it deems appropriate, any stated reasons why stockholders voted against such director, any alternatives for curing the underlying cause of the votes against such director, the total number of shares voting and how such shares were voted, the director's tenure, the director' qualifications, the director's past and expected future contributions to the Company, the criteria for nomination as a director set forth in Attachment A to these Guidelines, the composition of the Board and the number of independent directors serving on its committees, and whether accepting the resignation would cause the Company to fail to meet any applicable SEC or NYSE requirement.
- The Board shall decide whether to accept, reject or modify the Committee's recommendation. In acting on the Committee's recommendation, the Board will consider all of the factors considered by the Committee and such additional factors as it deems relevant or appropriate.
- Following the Board's determination, the Company shall promptly publicly disclose the Board's decision regarding the resignation.
- An incumbent director who did not receive the Required Vote is expected not to be present during deliberations or voting of the Committee or the Board regarding whether to accept his or her resignation. Prior to voting on a proposed action relative to a director's tendered resignation, the Committee and the Board will afford the affected nominee an opportunity to be heard and present to the Committee or the Board any information that he or she deems relevant.

If the Board accepts an incumbent director's resignation, then the Board may fill the resulting vacancy pursuant to the provisions of Article II, Section 2.9 of the Bylaws or may decrease the size of the Board pursuant to the provisions of Article II, Section 2.2 of the Bylaws.

For purposes of these Guidelines, the term "Uncontested Election" means an election of directors other than a Contested Election Meeting (as defined in Article I, Section 1.9 of the Company's Bylaws) and the term "Committee" as under in this Section 10 means (i) the Nominating and Corporate Governance Committee, provided such committee then consists of at least three directors, each of whom is an independent director (as defined in accordance with these Guidelines) and none of whom is a director who stood for re-election at the most recent Annual Meeting and did not receive the Required Vote or (ii) if clause (i) is not satisfied, a committee of at least three directors designated by the Board, each of the members of which is an independent director and none of the members

of which is a director who stood for re-election at the most recent Annual Meeting and did not receive the Required Vote; provided, however, that if there are fewer than three independent directors then serving on the Board who satisfy the foregoing requirement, then the Committee shall be comprised of all of the independent directors and each independent director who stood for re-election at the most recent Annual Meeting but did not receive the Required Vote is expected to rescues himself or herself from the Committee and Board's deliberations and voting with respect to his or her individual resignation.

## **Board Meetings**

1. Selection of Agenda Items. The Chairman of the Board is responsible for establishing the agenda for each Board of Directors meeting. Each director is free to suggest the inclusion of agenda items and is free to raise at any meeting subjects that are not on the agenda for that meeting.
2. Frequency and Length of Meetings. The Board of Directors believes that regular meetings at appropriate intervals are desirable for the performance of their responsibilities. Special meetings may be called from time to time as determined by the needs of the business.
3. Advance Distribution of Materials. Information and data that are important to a director's understanding of the business to be conducted at a Board of Directors or committee meeting should generally be distributed in writing to the directors before the meeting, to the extent practicable, and directors should review these materials in advance of the meeting. The Board of Directors acknowledges that certain items to be discussed at a meeting of the Board of Directors or a committee may be of an extremely confidential or time-sensitive nature and that the distribution of materials on these matters prior to meetings may not be appropriate or practicable.
4. Executive Sessions. In general, the agenda for every regularly scheduled Board of Directors meeting should include a meeting of the "non-management" directors, as defined by the rules of the New York Stock Exchange, in executive session without management present. The director who presides at these meetings shall be rotated among the chairmen of the committees of the Board of Directors.
5. Attendance of Non-Directors at Board Meetings. The Board of Directors welcomes regular attendance of senior executives of the Company at its meetings. Furthermore, the Board of Directors encourages the senior executives of the Company to, from time to time, bring Company personnel into Board of Directors meetings who (i) can provide additional insight into the items being discussed because of personal involvement in these areas or (ii) appear to be persons with future potential who should be given exposure to the Board of Directors.

## **Board Committees**

1. Key Committees. The Board of Directors shall have at all times an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. Each such committee shall have a charter that has been approved by the Board of Directors. The Board of Directors may, from time to time, establish or maintain additional committees as necessary or appropriate.

2. Assignment of Committee Members. The Nominating and Corporate Governance Committee shall be responsible for recommending to the Board of Directors the directors to be appointed to each committee of the Board of Directors. Except as otherwise permitted by the rules of the Securities and Exchange Commission and the New York Stock Exchange, each member of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee shall be an “independent director” as defined by such rules.
3. Committee Charters. In accordance with the applicable rules of the New York Stock Exchange, the charters of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee shall state the purposes, goals and responsibilities of the committees. The Board of Directors shall, from time to time as it deems appropriate, review and reassess the adequacy of each charter and make appropriate changes.

### **Director Access to Management and Independent Advisors**

1. Access to Management. Directors have full and free access to the management of the Company. Any meetings or contacts that a director wishes to initiate may be arranged through the Chief Executive Officer or the Secretary or directly by the director. It is assumed that the directors shall use their judgment to ensure that any such contact is not disruptive to the business operations of the Company.
2. Access to Independent Advisors. The Board of Directors and each committee have the power to hire and consult with independent legal, financial or other advisors for the benefit of the Board of Directors or such committee, as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance. Such independent advisors may be the regular advisors to the Company. The Board of Directors or any such committee is empowered, without further action by the Company, to cause the Company to pay the compensation of such advisors as established by the Board or any such committee.

### **Director Compensation**

1. Role of Board and Compensation Committee. The form and amount of director compensation shall be determined by the Board of Directors in accordance with the policies and principles set forth below. The Compensation Committee shall periodically assess the adequacy of director compensation. The Compensation Committee shall consider that questions as to directors’ independence may be raised if director compensation and perquisites exceed customary levels, if the Company makes substantial charitable contributions to organizations with which a director is affiliated or if the Company enters into consulting contracts or business arrangements with (or provides other indirect forms of compensation to) a director or an organization with which the director is affiliated.
2. Form of Compensation. The Board of Directors believes that directors should receive appropriate incentives to focus on long-term stockholder value. Including equity as part of director compensation helps align the interest of directors with those of the Company’s stockholders.

3. Amount of Consideration. The Company's policy is to compensate directors at least competitively relative to comparable companies, in order to attract and retain the best available directors. The Company's management shall, from time to time, present a comparison report to the Board of Directors, comparing the Company's director compensation with that of comparable companies.
4. Employee Directors. Directors who are also employees of the Company shall receive no additional compensation for service on the Board of Directors or its committees.

#### **Director Orientation and Continuing Education**

1. Director Orientation. The Board of Directors and management shall conduct an orientation program for new members of the Board of Directors. The orientation program shall include, among other things, a review of the Company's expectations of its directors in terms of time and effort, a review of the directors' fiduciary duties, a review of the Company's corporate governance practices and discussions of the Company's strategy.
2. Continuing Education. Each director is encouraged to be involved in continuing director education on an ongoing basis to enable him or her to better perform his or her duties and to recognize and deal appropriately with issues that arise. The Company will also provide periodically materials or briefing sessions for all directors on subjects that would assist them in discharging their duties.

#### **Management Evaluation and Succession**

The Compensation Committee shall periodically monitor and review, and make recommendations to the Board of Directors relating to management succession planning and the development and progression of potential internal candidates. The Compensation Committee is responsible for overseeing the evaluation of the Company's officers, and for annually approving the goals and objectives of the chief executive officer, and shall periodically discuss its findings and evaluation with the Board of Directors.

#### **Annual Performance Evaluation of the Board**

The Nominating and Corporate Governance Committee shall oversee an annual self-evaluation of the Board of Directors to determine whether it and its committees are functioning effectively. The nature and conduct of the evaluation and the assessment of the Board's performance shall be determined by the Nominating and Corporate Governance Committee in accordance with its charter. The evaluation shall include an assessment of the contributions of individual directors.

#### **Board Interaction with Stockholders, Institutional Investors and Other Interested Parties**

The Board of Directors believes that the Chief Executive Officer and his or her designees speak for the Company. Individual directors may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. It is, however, expected that directors would do so with the knowledge of and, absent unusual circumstances or as contemplated by the committee charters, only at the request of the Company's senior executives. The Board of Directors will give appropriate attention to written communications that are submitted by stockholders and other interested parties, and will respond if and as appropriate.

### **Periodic Review of the Corporate Governance Guidelines**

The Nominating and Corporate Governance Committee shall, from time to time as it deems appropriate, review and reassess the adequacy of these Guidelines and recommend any proposed changes to the Board of Directors for approval.

As in effect: March 5, 2019, amended

# **KADANT INC.**

## **CRITERIA FOR SELECTION OF DIRECTORS**

**(Appendix to the Corporate Governance Guidelines)**

### **General Criteria**

1. Nominees should have a long-term, good reputation for integrity, honesty and adherence to high ethical standards.
2. Nominees should have demonstrated business acumen, experience and ability to exercise sound judgments in matters that relate to the current and long-term objectives of the Company and should be willing and able to contribute positively to the decision-making process of the Company.
3. Nominees should have a commitment to understand the Company and its industry and to regularly attend and participate in meetings of the Board of Directors and its committees.
4. Nominees should have the interest and ability to understand the sometimes conflicting interests of the various constituencies of the Company, which include stockholders, employees, customers, governmental units, creditors and the general public, and to act in the interests of all stockholders.
5. Nominees should not have, nor appear to have, a conflict of interest that would impair the nominee's ability to represent the interests of all the Company's stockholders and to fulfill the responsibilities of a director.
6. Nominees shall not be discriminated against on the basis of race, religion, national origin, sex, sexual orientation, gender identity or expression, disability or any other basis proscribed by law. The value of diversity on the Board of Directors should be considered. Consistent with applicable law and the exercise of its fiduciary duties, the Nominating and Corporate Governance Committee will seek to include diverse candidates, including women and minority candidates, meeting these qualifications in the pool of candidates from which it recommends director nominees. If the Nominating and Corporate Governance Committee engages a director search firm or other professional to assist it in identifying director nominees, it will refer such firm or other professionals to these director qualifications and advise that diverse candidates meeting these qualifications should be identified in the candidate pool.
7. Nominees should normally be able to serve for at least five years before reaching the age of 75.

### **Application of Criteria to Existing Directors**

The renomination of an existing director should not be viewed as automatic, but should be based on continuing qualification under the criteria set forth above. In addition, the Nominating and

Corporate Governance Committee shall consider the existing director's performance on the Board of Directors and any committee, which shall include consideration of the extent to which the director undertook continuing director education.

### **Criteria for Composition of the Board**

The backgrounds and qualifications of the directors considered as a group should provide a significant breadth of experience, knowledge and abilities that shall assist the Board of Directors in fulfilling its responsibilities.

As in effect: March 5, 2019, amended